



“Oil and Covid-19: Will it be New Mexico’s Tipping Point?”

DEKKER
PERICH
SABATINI

60
YEARS



SERVING PUBLIC + PRIVATE
CLIENTS FOR
60
YEARS

MULTIDISCIPLINARY
DESIGN FIRM | ARCHITECTURE
STRUCTURAL ENGINEERING
INTERIOR DESIGN
LANDSCAPE ARCHITECTURE
PLANNING



190 STAFF
LOCATED IN
4 REGIONAL
OFFICES

Extreme Makeovers

Albuquerque Convention Center

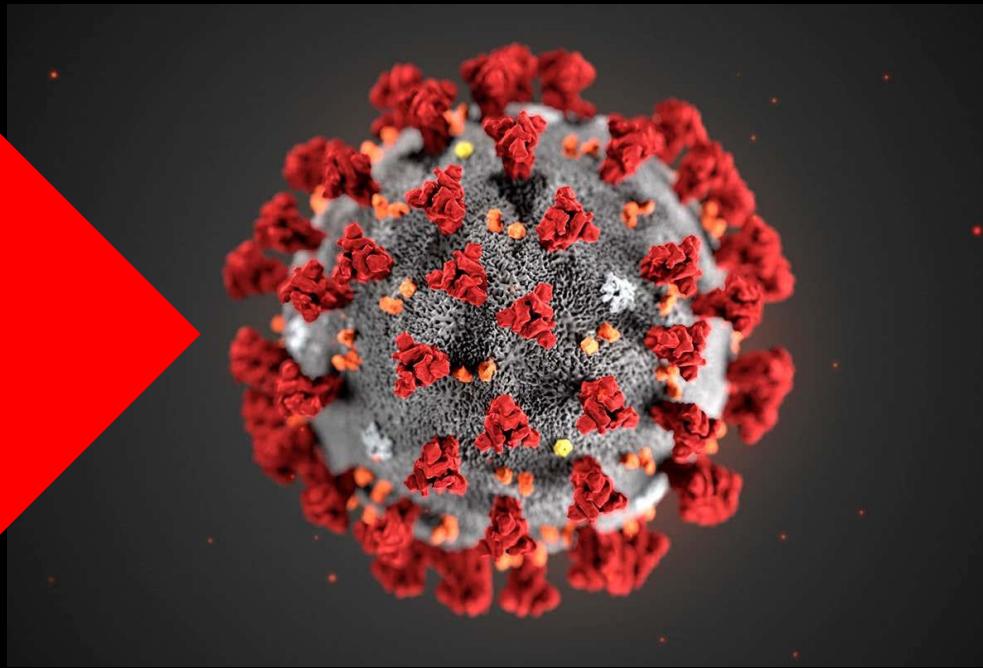


Albuquerque Convention Center



Albuquerque Convention Center

PRE



Facts:

5 Largest State in Land Area (121,589 sq. miles)

49 in Water Area (233 sq. miles)

37 in Population (2,081,000)

46 in Density (population per square mile-19)

27 NM Inc. \$94.8 Billion

(Bank of America #28 Fortune 500 List @ \$93.6 7 Billion)

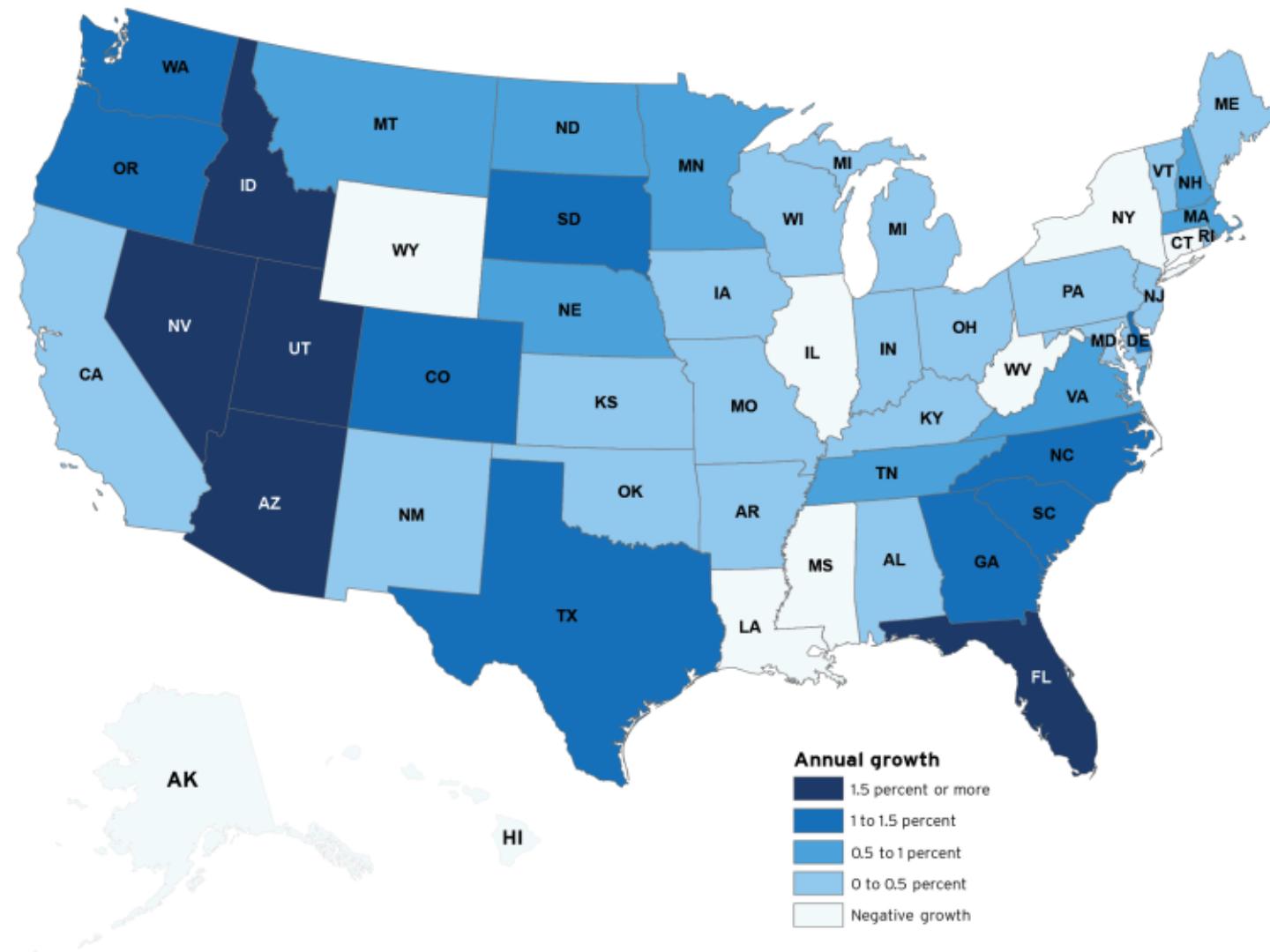


New Mexico: The hole in the donut state

MAP 1

Population growth

U.S. states, 2017-2018*



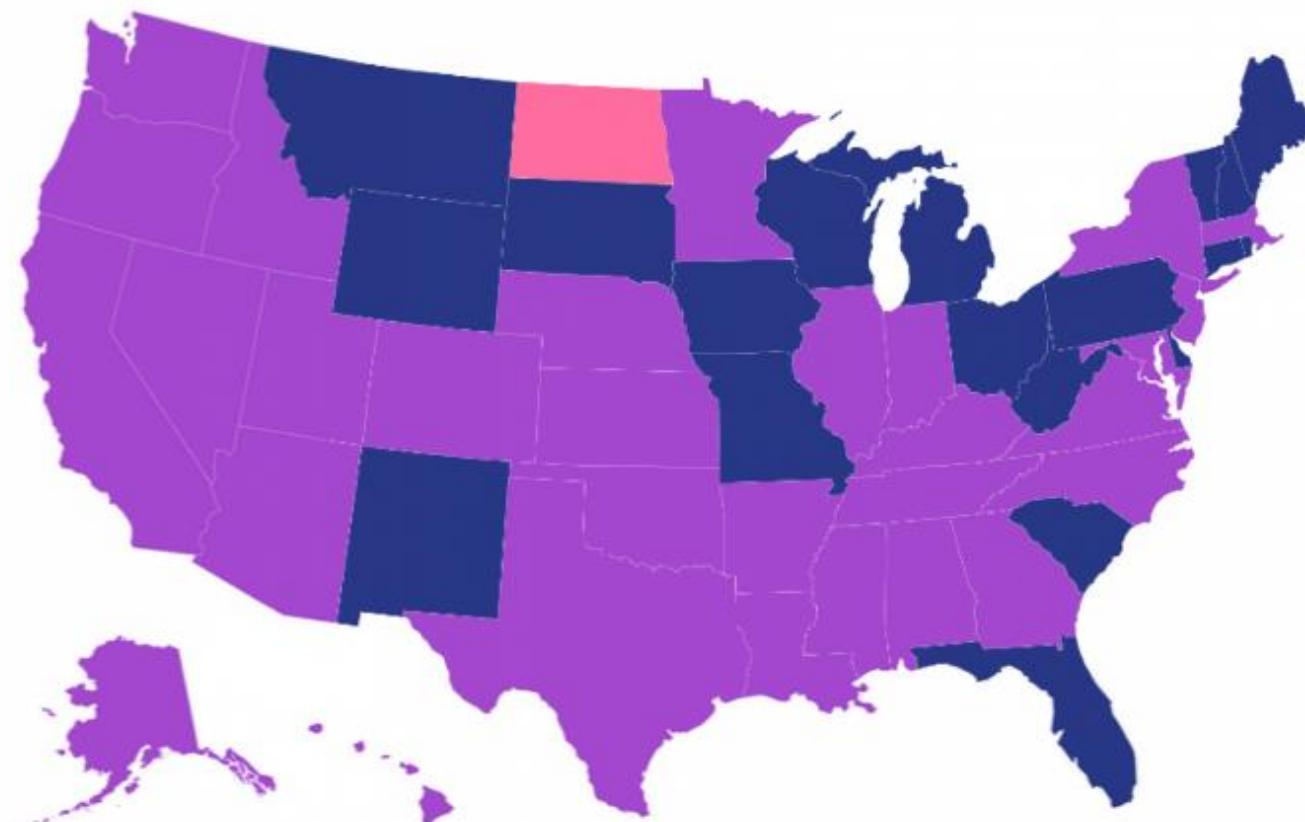
Source: William H. Frey analysis of U.S. Census Bureau population estimates, released December 19, 2018

*Percent change over the 12 month period ending July 1, 2018



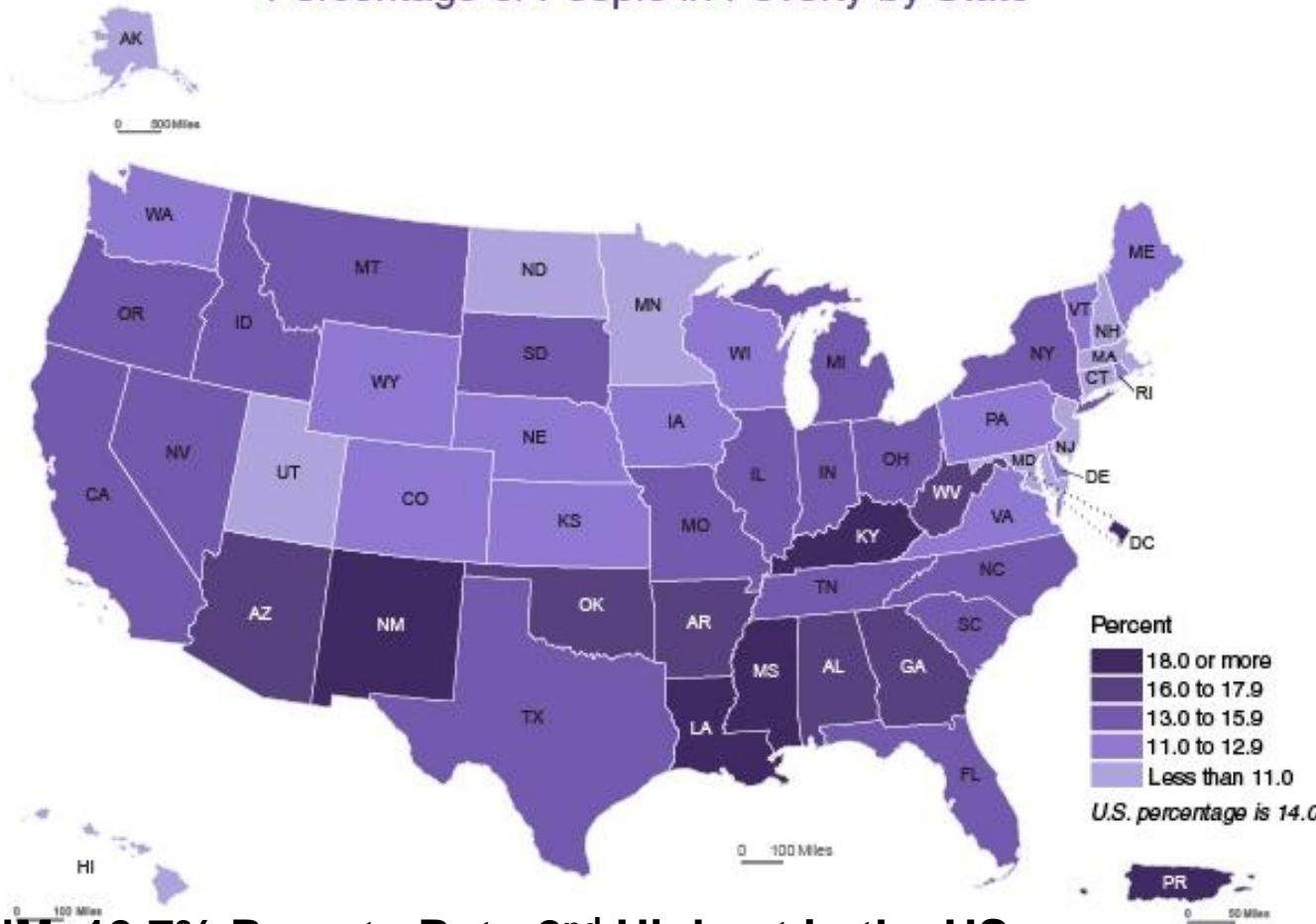
Metropolitan Policy Program
at BROOKINGS

The largest generation by State



Poverty in the United States

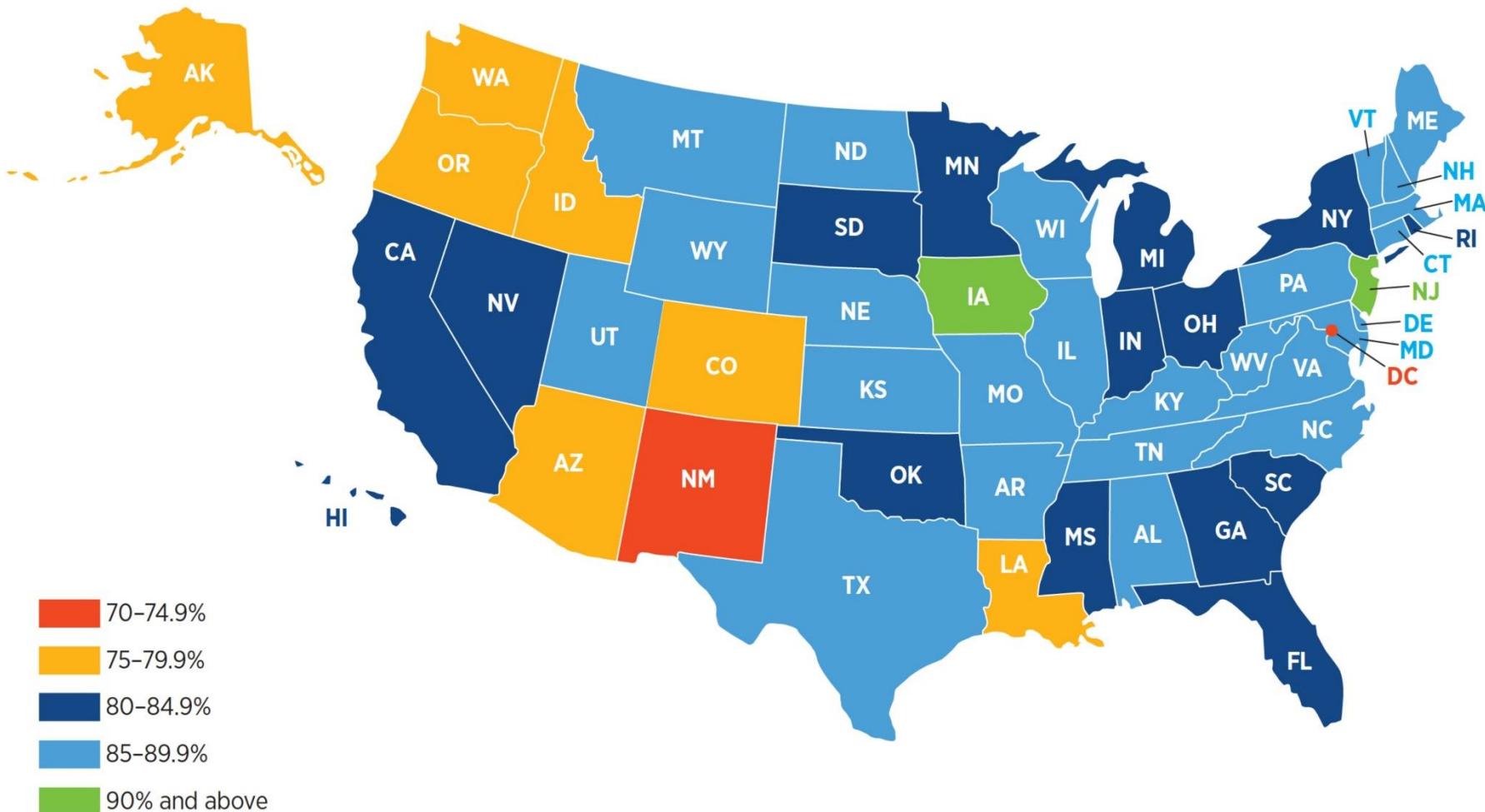
Percentage of People in Poverty by State



**NM=19.7% Poverty Rate-2nd Highest in the US
27% of children live in poverty**

Note: U.S. percentage does not include data for Puerto Rico.

Figure 2 • Adjusted Cohort Graduation Rate, by State 2016–17



New Mexico High School Graduation Rate = 71%



New Mexico KIDS COUNT Profile

National Rank (2019): 50th

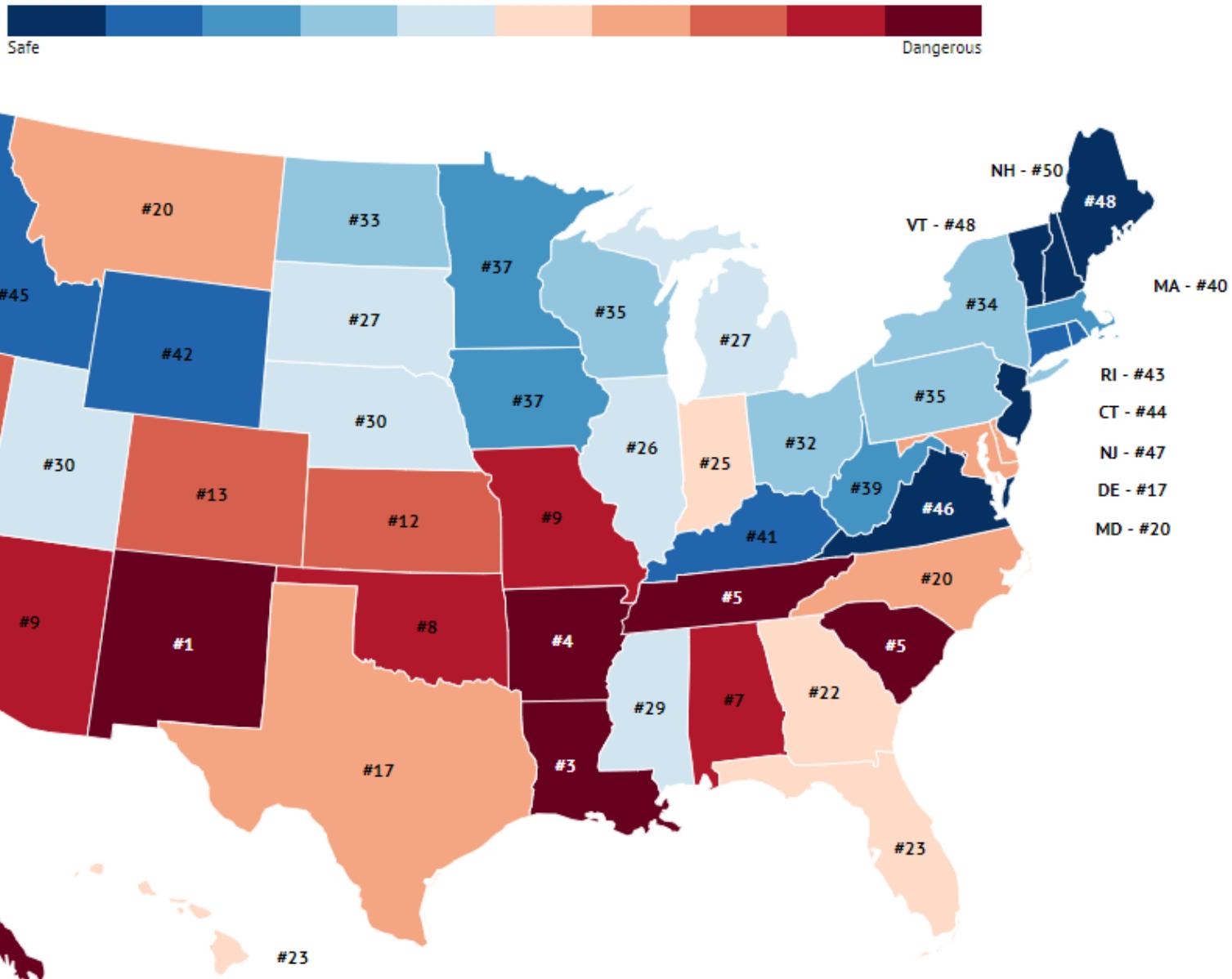
Unchanged since 2018 (50th)



Domains	Indicators of child well-being			
Economic Well-Being	Children living in poverty 27% 131,000 children (2017) National Rank: 48 th Improved since 2016 (30%) Worse than US average (33%)	Children whose parents lack secure employment 36% 174,000 children (2017) National Rank: 50 th Unchanged since 2016 (36%) Worse than US average (31%)	Children living in households with a high housing cost burden 28% 136,000 children (2017) National Rank: 50 th Improved since 2016 (32%) Worse than US average (31%)	Teens not in school and not working 10% 12,000 teens (2017) National Rank: 50 th Worsened since 2016 (9%) Worse than US average (7%)
	Fourth-grade reading proficiency 75% 29,000 children (2015-17) National Rank: 50 th Improved since 2015-16 (7%) Worse than US average (7%)	Fourth-grade math proficiency 80% 29,000 children (2015-17) National Rank: 50 th Improved since 2015-16 (77%) Worse than US average (65%)	High school students not graduating on time 29% (2016-17) National Rank: 50 th Unchanged since 2015-16 (29%) Worse than US average (15%)	High school students not graduating on time 29% (2016-17) National Rank: 50 th Unchanged since 2015-16 (29%) Worse than US average (15%)
	Low birth-weight babies 9.5% National Rank: 48 th Unchanged since 2016 (9%) Worse than US average (8.3%)	Child health insurance rate 95% National Rank: 50 th Unchanged since 2016 (33%) Same as US average (5%)	Child abuse and neglect rate 24% National Rank: 50 th Worsened since 2016 (22%) Worse than US average (26%)	Teens who abuse alcohol or drugs 28% National Rank: 50 th Improved since 2015-16 (7%) Worse than US average (4%)
	Children in single-parent families 45% National Rank: 50 th Worsened since 2016 (42%) Worse than US average (34%)	Children in families where household head lacks high school diploma 16% National Rank: 50 th Improved since 2016 (18%) Worse than US average (13%)	Children living in high-poverty areas 24% National Rank: 50 th Worsened since 2012-16 (22%) Worse than US average (12%)	Teen birth rate per 1,000 1,896 births (2017) National Rank: 50 th Improved since 2016 (30%) Worse than US average (19%)

Source: KIDS COUNT Data Book, Annie E. Casey Foundation, 2018 and 2019
NEW MEXICO VOICES FOR CHILDREN

Most Dangerous States For 2020

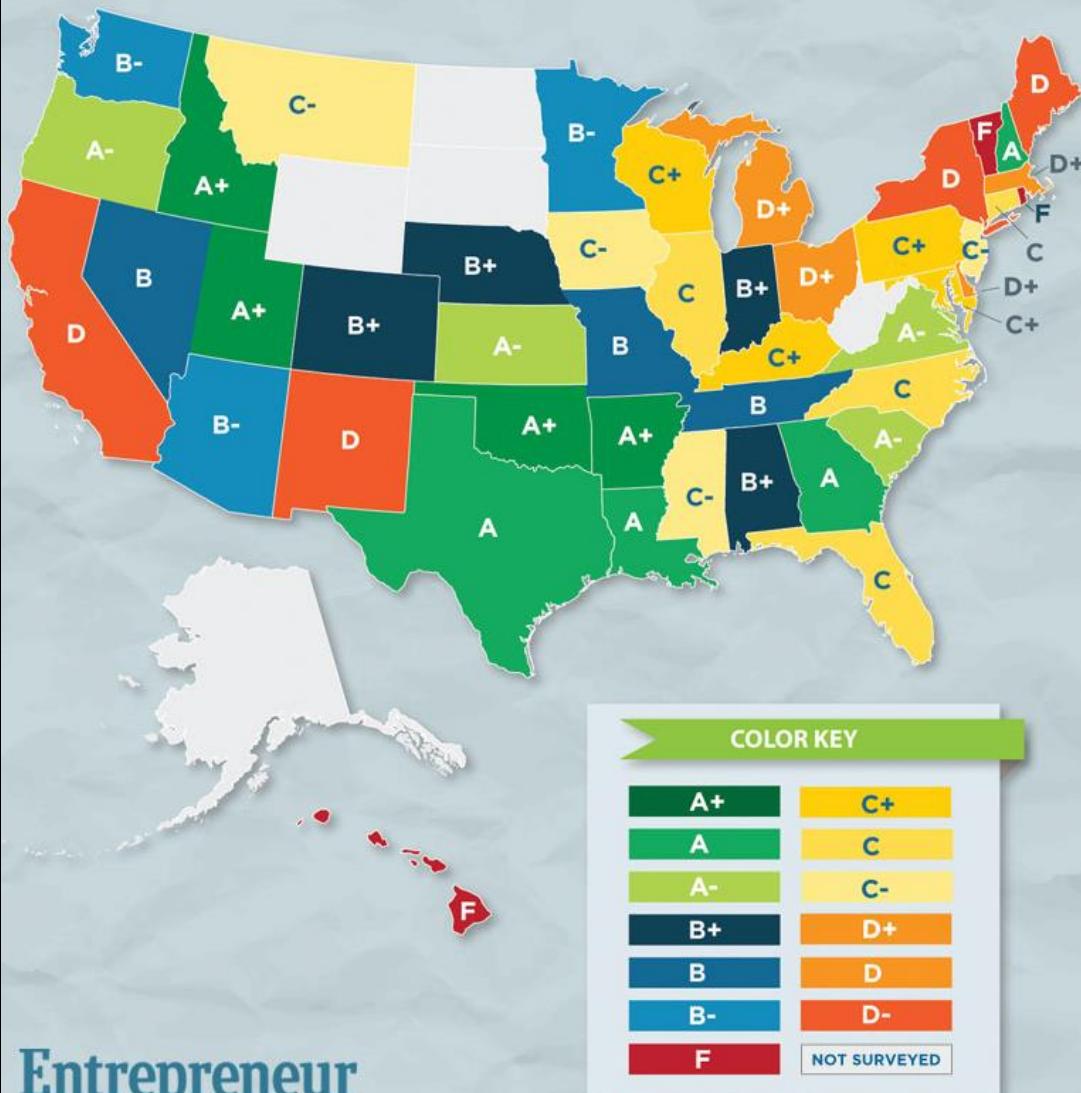


- #2 Texas
- #3 Utah
- #9 Colorado
- #18 Arizona
- #24 Oklahoma

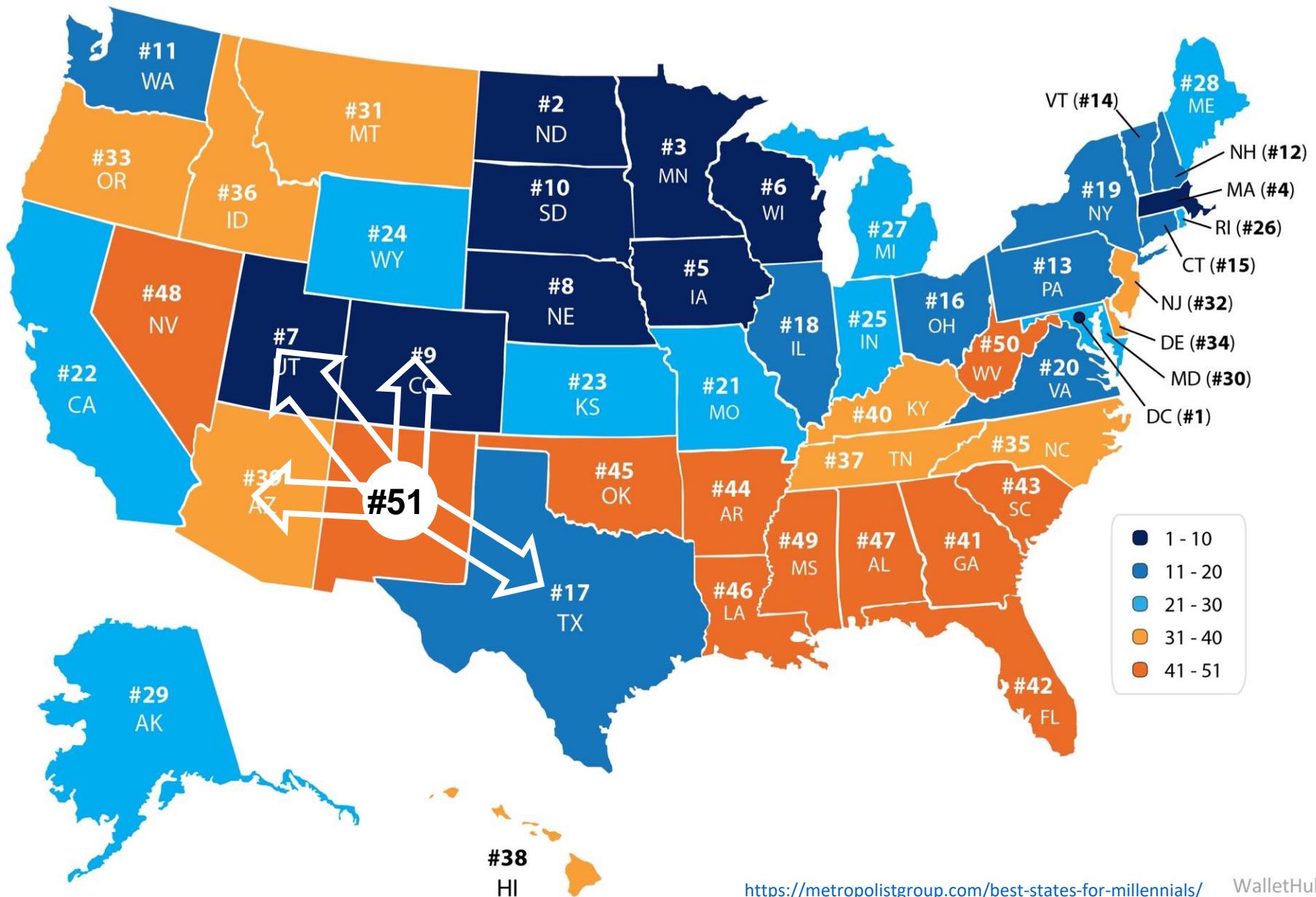


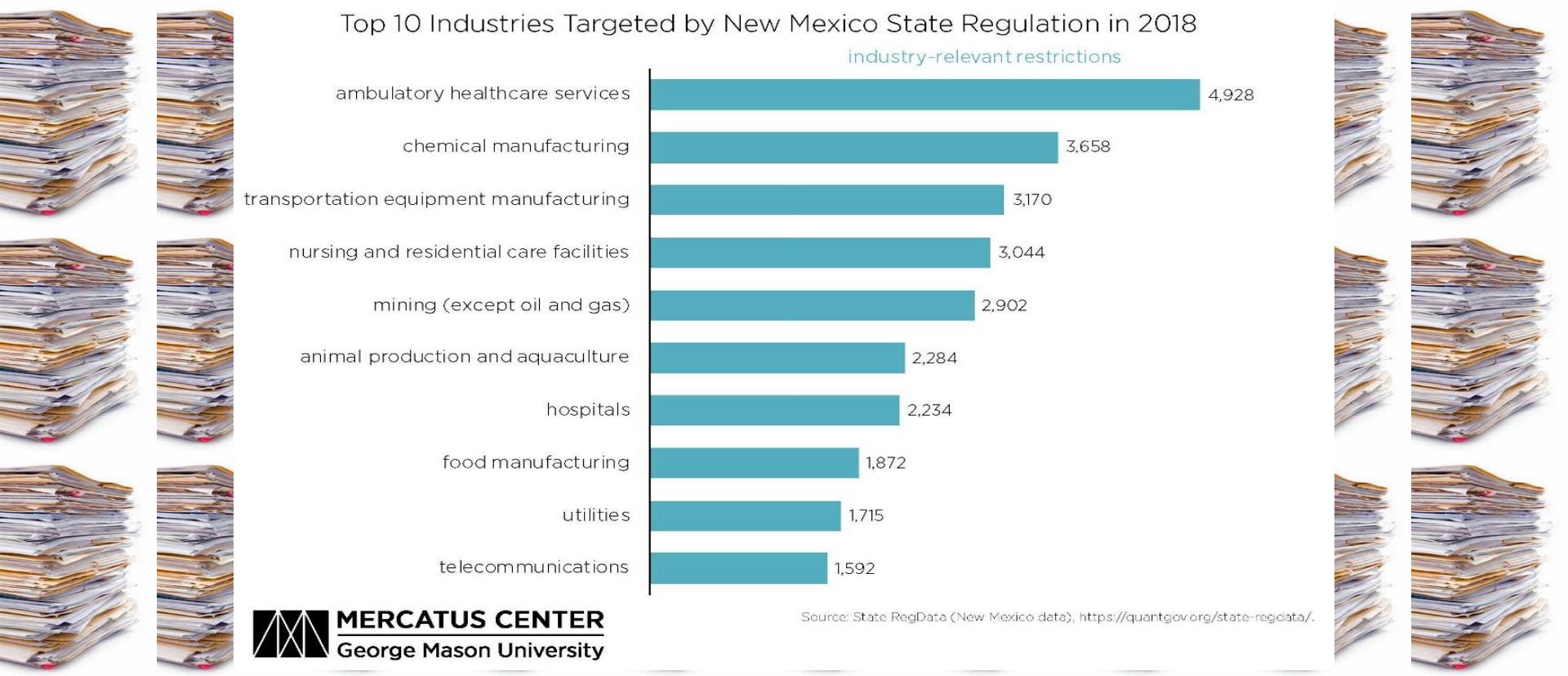
Which State Is Best for Small Business?

When it comes to starting your business, some states make it a lot easier than others. Thanks to a survey of more than 6,000 small-business owners across the country released earlier this year by Thumbtack.com, a local-services listing site, and the Ewing Marion Kauffman Foundation, we now have a better idea of the easiest states in which to launch your startup dreams. The map below highlights how each state ranked.

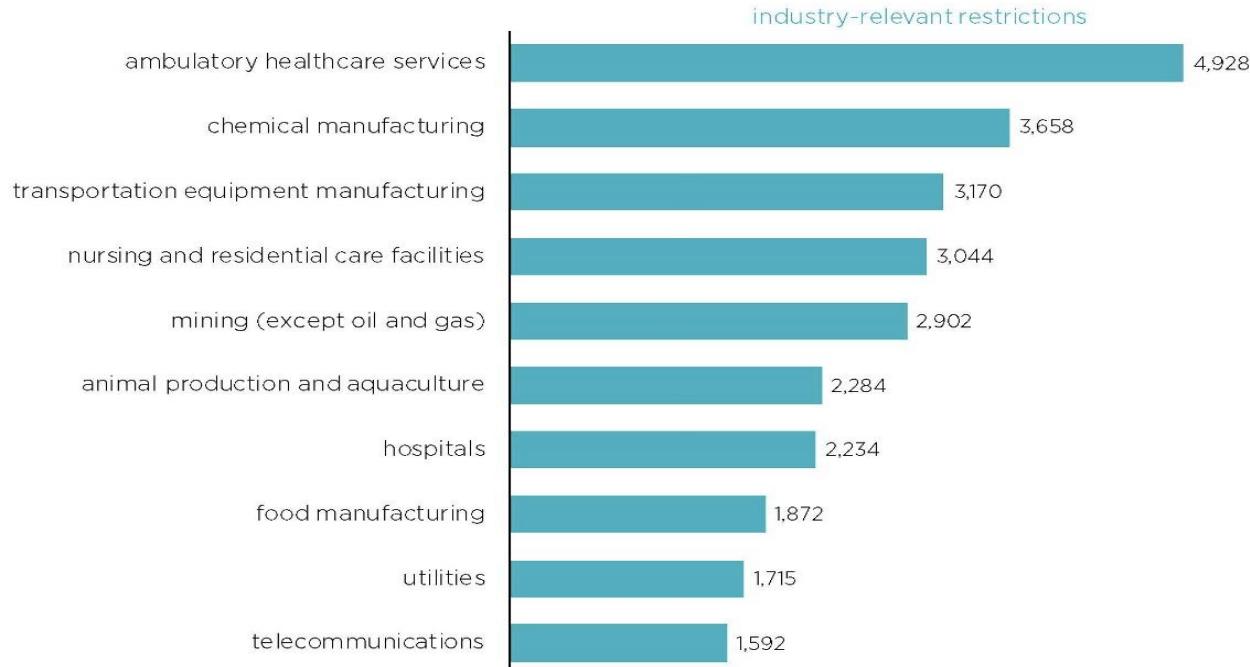


What are the 'Best States for Millennials'?





Top 10 Industries Targeted by New Mexico State Regulation in 2018



Source: State RegData (New Mexico data), <https://quantgov.org/state-regdata/>.



A Snapshot of New Mexico Regulations

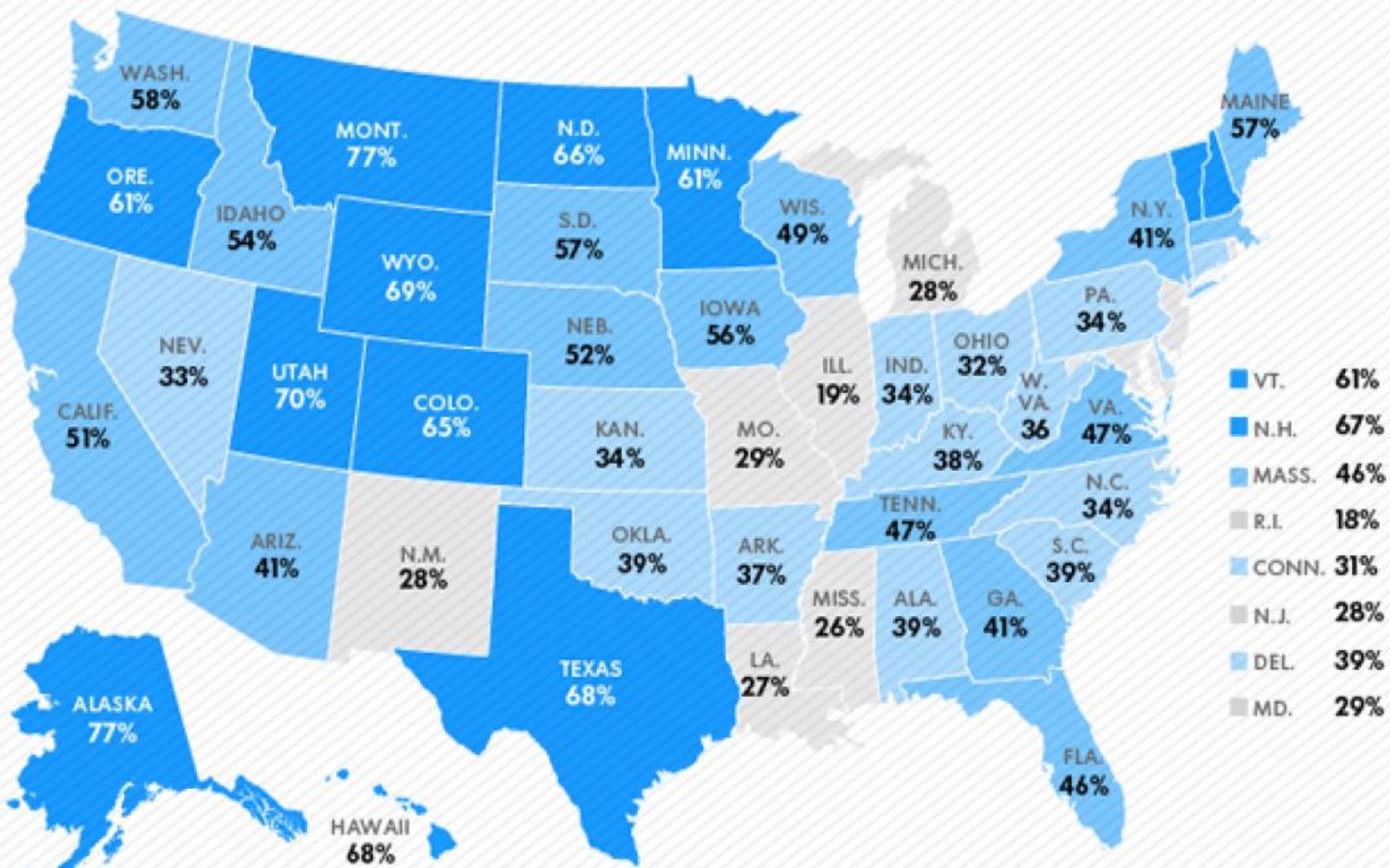
125,395 Restrictions, 9.2 Million Words
13 Weeks to Read

A Snapshot of Arizona Regulations

63,919 Restrictions, 5.6 Million Words
8 Weeks to Read

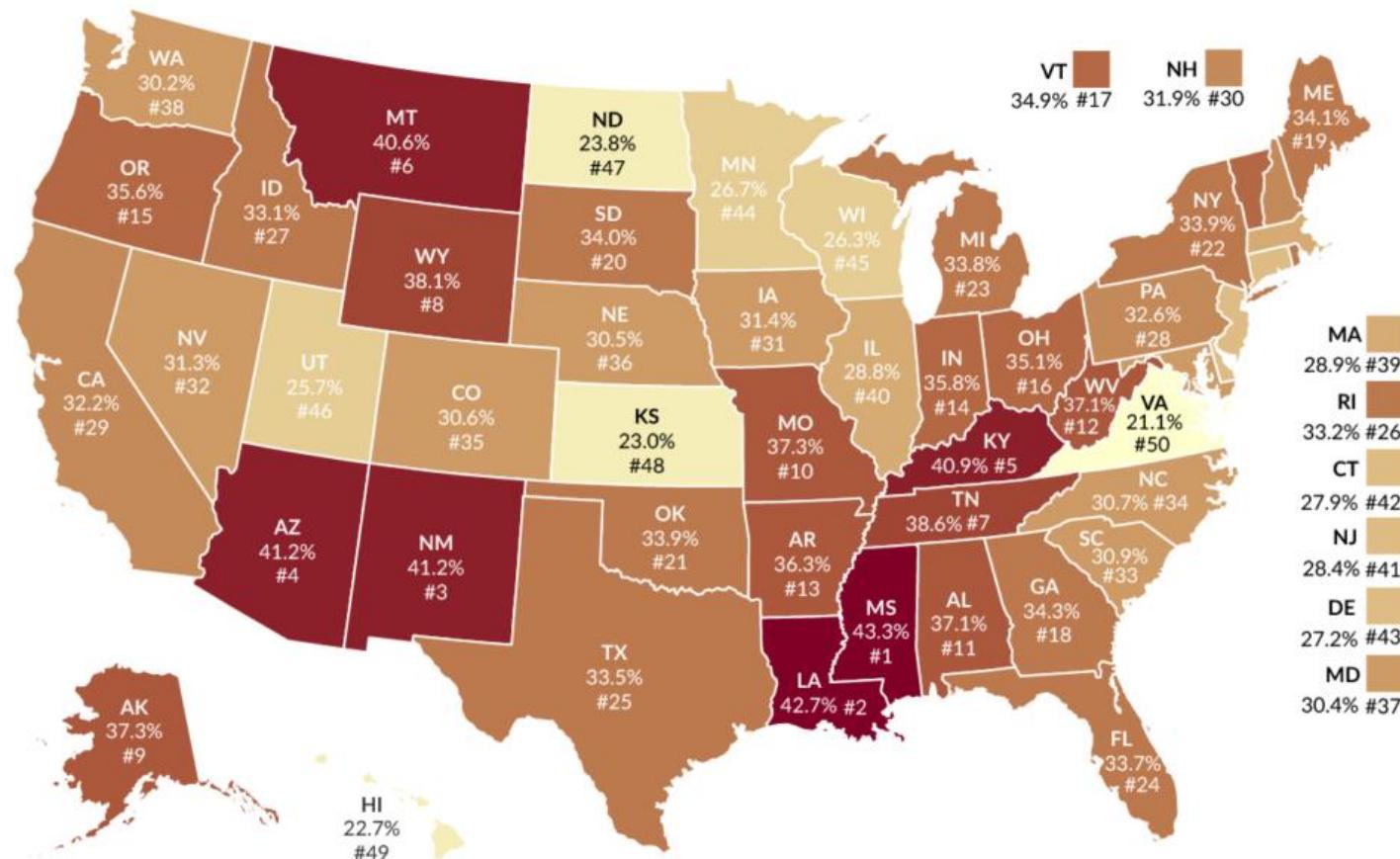
HOW WOULD YOU DESCRIBE THE STATE WHERE YOU LIVE?

Percentage of residents who said their state was the best or one of the best possible to live in.



Which States Rely the Most on Federal Aid?

Federal Aid as a Percentage of State General Revenue, Fiscal Year 2016



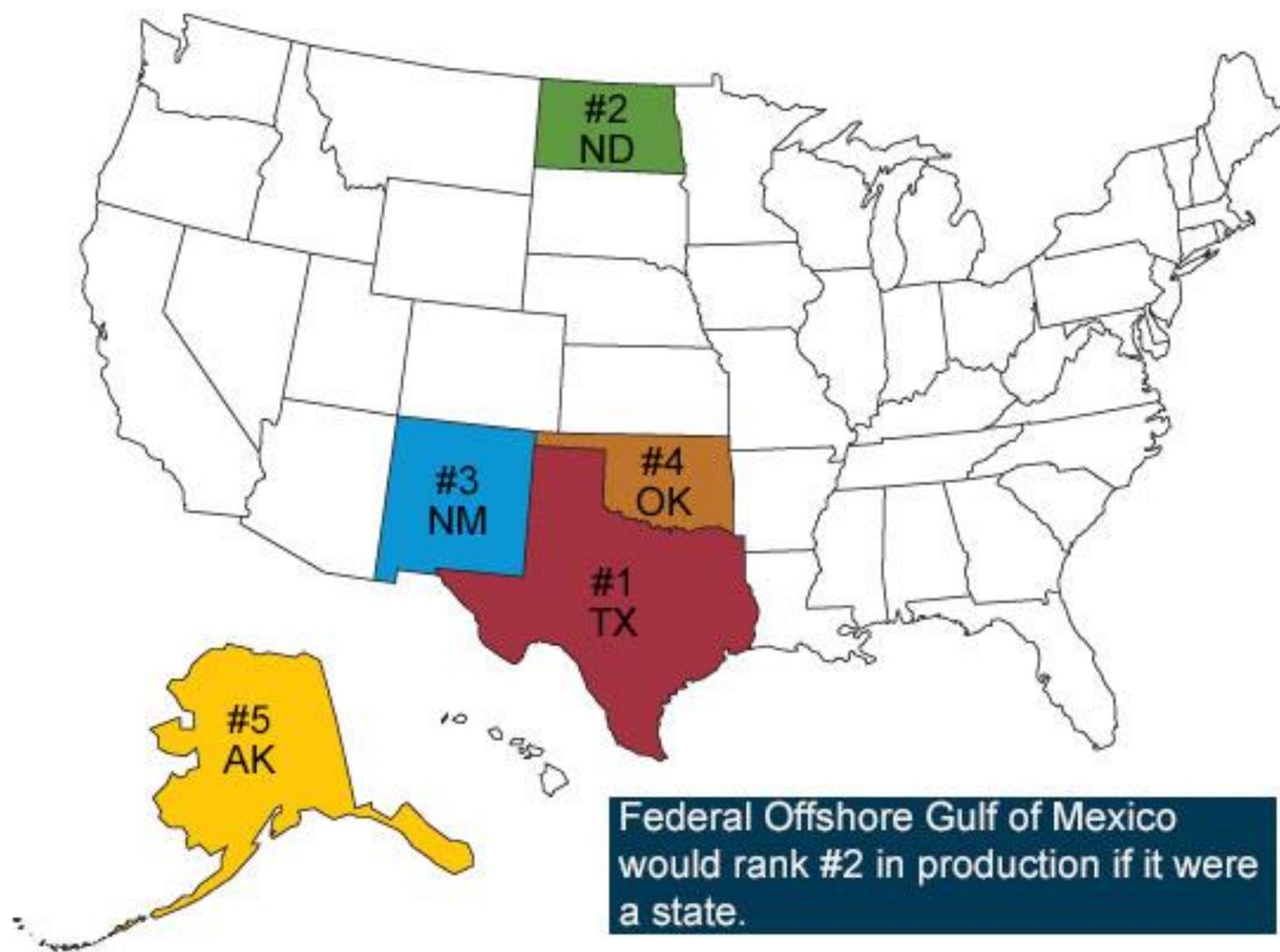
Notes: Figures are calculated by dividing each state's "Federal Intergovernmental Revenue" by its "General Revenue." "General Revenue" includes all tax revenue but excludes utility revenue, liquor store revenue, and investment income from state pension funds. D.C. is designated as a local entity by the U.S. Census Bureau and is thus not included here.

Source: U.S. Census Bureau; Tax Foundation

Federal Aid as a Percentage of
State General Revenue



Top crude oil producing states, 2018



Source: U.S. Energy Information Administration, *Petroleum Supply Monthly*, Table 26, March 2019, preliminary data

ALBUQUERQUE JOURNAL



August 16, 2019

“New Mexico coffers flush with cash from oil boom...”

“State revenue on track for all-time high of \$7.8 billion...”



Oil & Gas: The **BIG** hole in the **BUDGET** donut

ALBUQUERQUE JOURNAL



March 10, 2020

“Oil Price plunge wallops New Mexico...”

“New Mexico’s oil boom could soon turn to bust after World prices for crude crashed on Monday...”

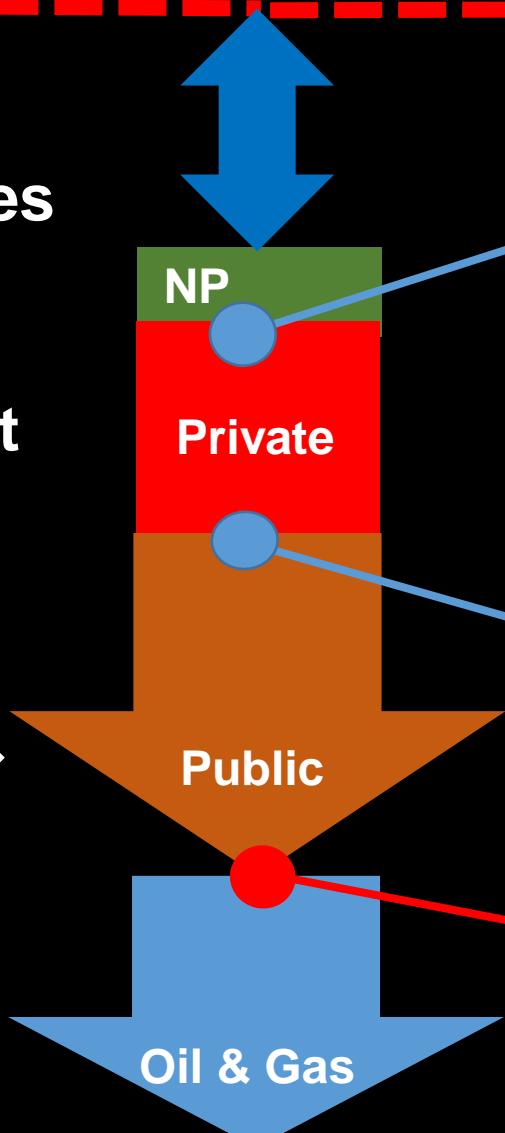
Needs

GAP

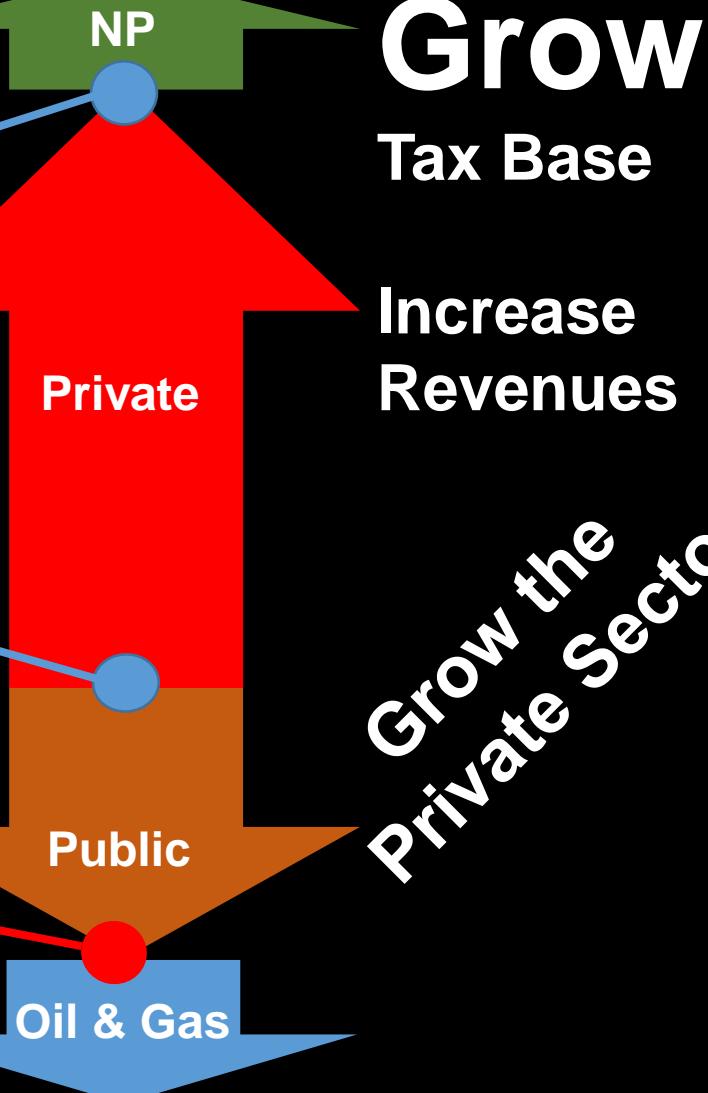
Raise Taxes

Raid the
Permanent
Fund

Business
as Usual



Status Quo



Growth



Strengths & Opportunities

Composite Cost of Living Index

First Quarter 2019

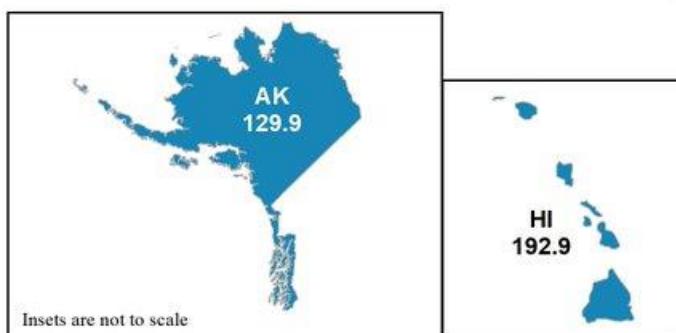


Cost of Living Index

INDEX

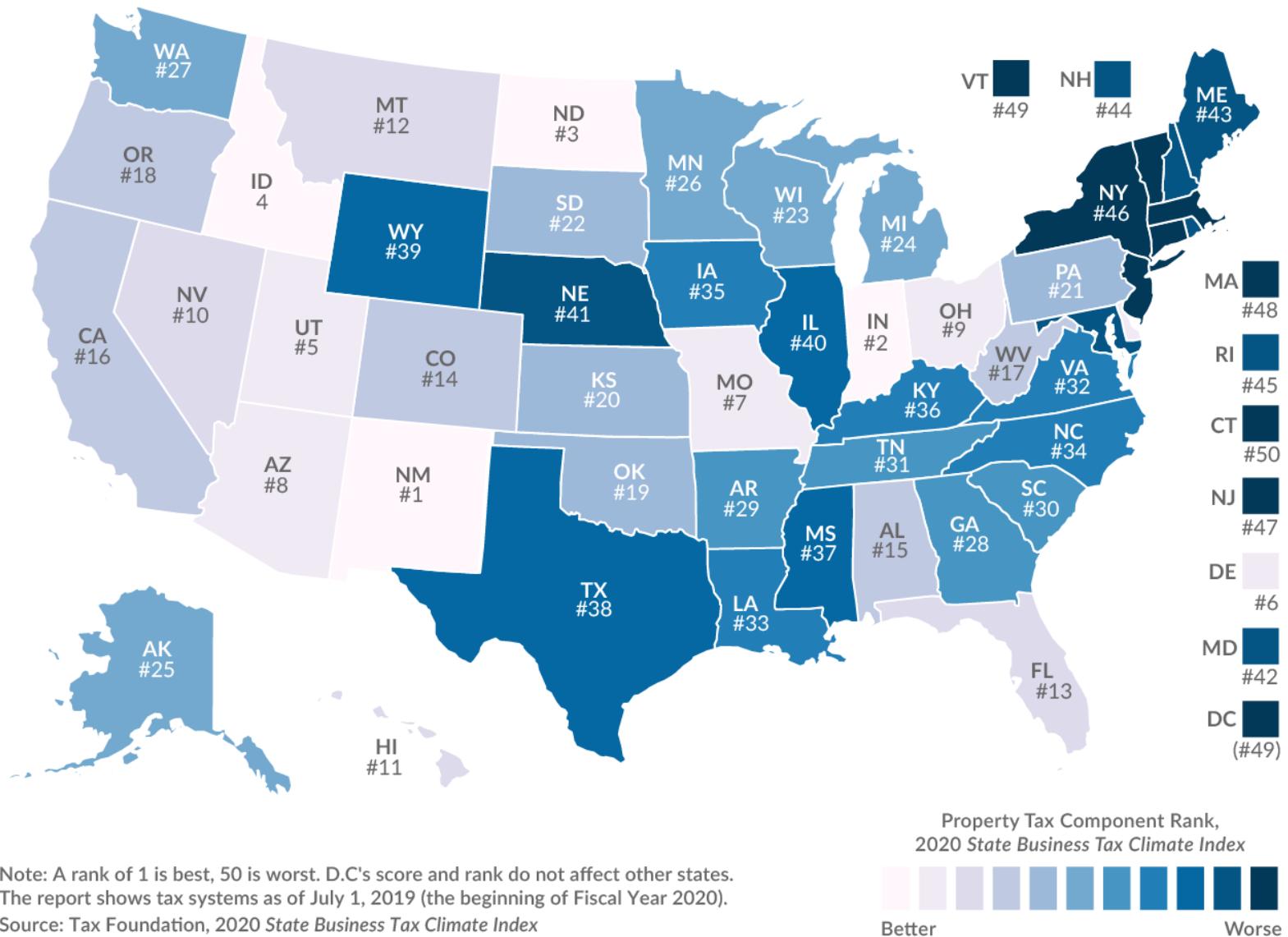
115 or more
105.1 - 114.9
95 - 105
Less than 95

Insets are not to scale



How Does Your State Rank on Property Taxes?

Property Tax Component Rankings, 2020 State Business Tax Climate Index

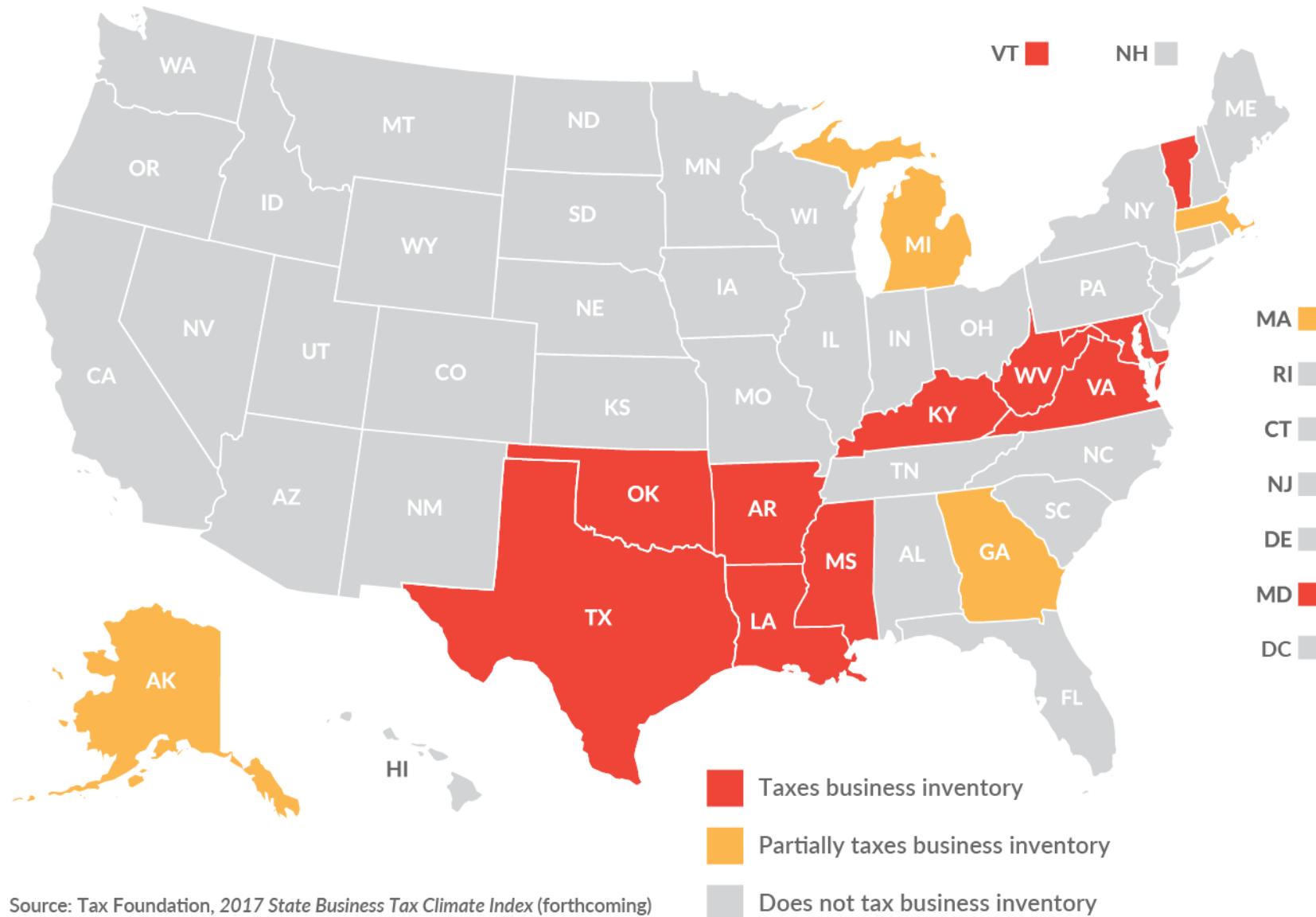


States Business Incentives Rankings

2018 Business Incentive Rankings			2020 Business Incentive Rankings		
Rank	State	# of incentive programs	Rank	State	# of incentive programs
1	Maryland	76	1	Oklahoma	80
2	Pennsylvania	64	2	Pennsylvania	78
3	North Dakota	59	3	Kansas	72
4	Oklahoma	58	4	Maryland	69
4	Connecticut	58	5	North Dakota	67
6	Virginia	54	6	South Carolina	66
6	South Carolina	54	7	Iowa	65
8	Wisconsin	50	8	Connecticut	60
9	Mississippi	49	9	Massachusetts	58
10	New York	48	10	New Mexico	56
11	Florida	46	11	West Virginia	54
12	Washington	45	12	Ohio	51
12	Ohio	45	13	Mississippi	50
14	Kansas	44	13	New York	50
15	Rhode Island	43	13	Wisconsin	50
15	New Mexico	43	16	Minnesota	46
17	Arkansas	41	17	Virginia	46
17	Iowa	41	18	Washington	45
As of September 2018			As of June 2020		

Does Your State Tax Business Inventory?

Property Taxes on Business Inventory, as of July 1, 2016



Workforce Training Leaders

- 1 LOUISIANA**
- 2 ALABAMA**
- 3 TENNESSEE**
- 4 GEORGIA**
- 5 VIRGINIA**
- 6 FLORIDA**
- 7 NEW MEXICO**
- 8 NORTH CAROLINA**
- 9 OKLAHOMA**
- 10 TEXAS**

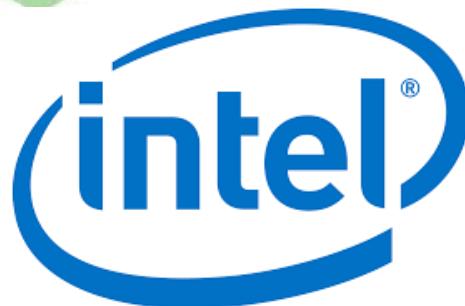
**Business Facilities' 15th Annual Rankings:
State Rankings Report**

July 24, 2019

<https://businessfacilities.com/2019/07/business-facilities-15th-annual-rankings-state-rankings-report/>



Descartes
Labs



Sandia
National
Laboratories



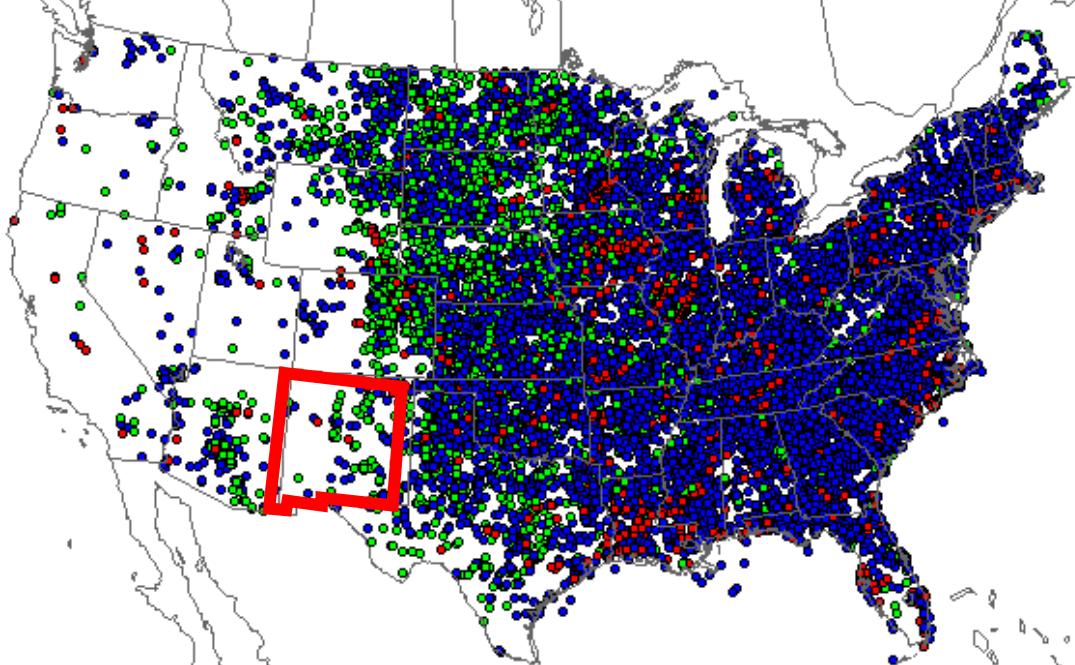
A wide-angle landscape photograph showing a vast, open area under a dramatic sky filled with dark, billowing clouds. In the distance, a range of mountains is visible against a lighter sky. The foreground is a flat, dry landscape with some low-lying shrubs and a dirt road.

“the weather...”

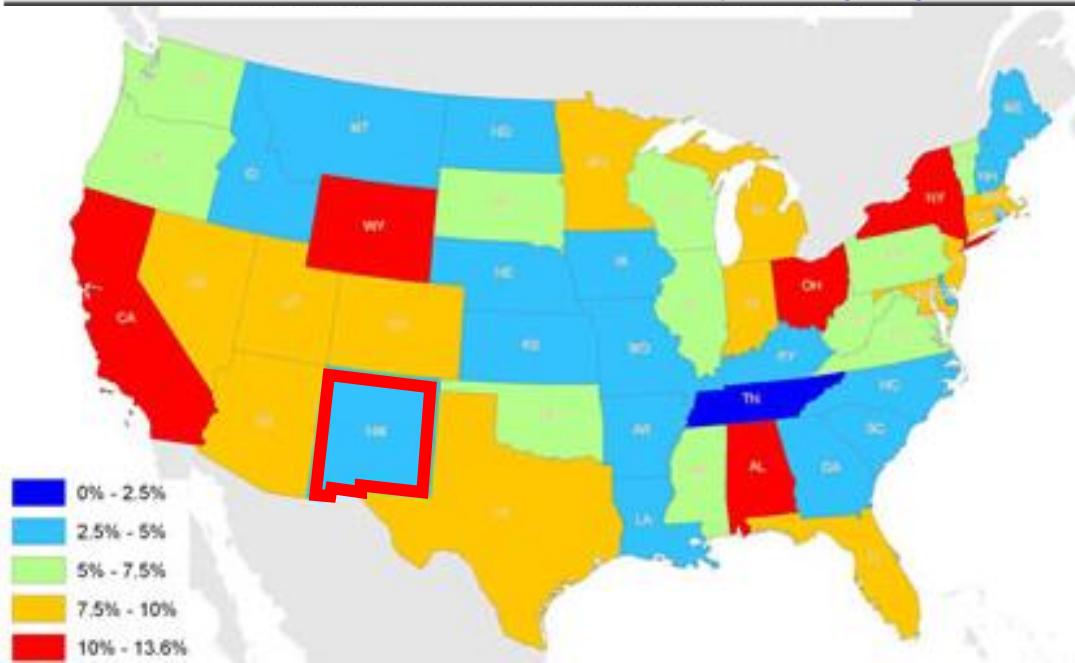
A photograph of a dirt path winding through a dense forest. In the background, a wooden arch bridge spans a stream. Two people are walking away from the camera on the path. Large, white, semi-transparent numbers '310' are overlaid on the left side of the image.

310



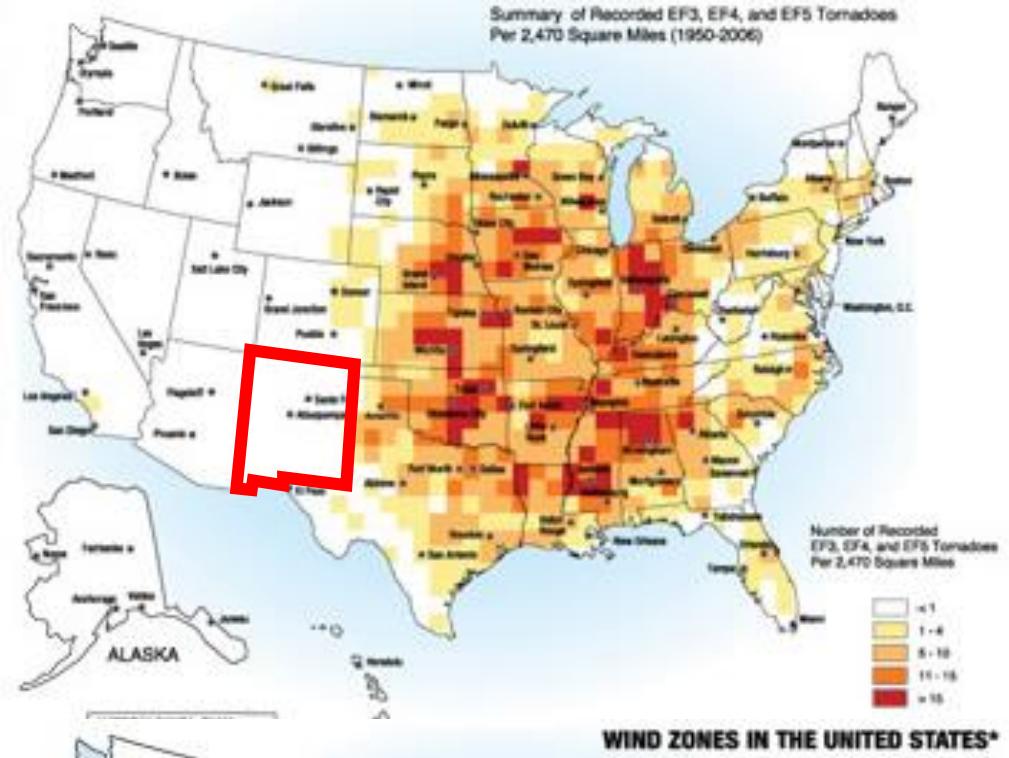


 PRELIMINARY SEVERE WEATHER
REPORT DATABASE (ROUGH LOG)
Severe Weather Reports
January 01, 2018 - December 31, 2018
NOAA/Storm Prediction Center Norman, Oklahoma
Updated: Monday January 28, 2019 10:31 CT



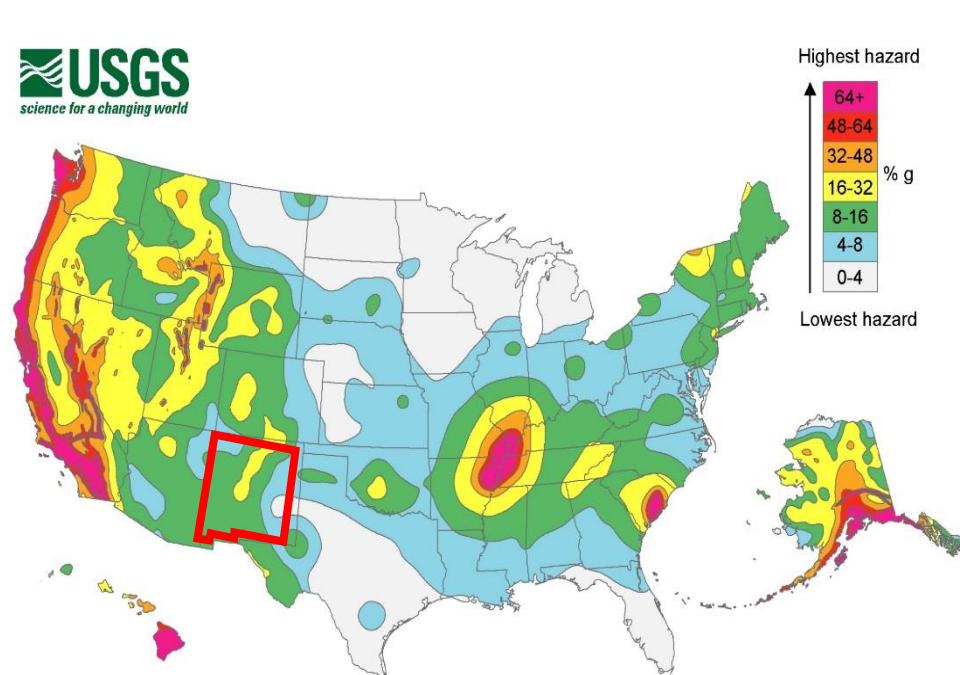
2018 Severe Weather Reports

Low Weather Impact on Productivity

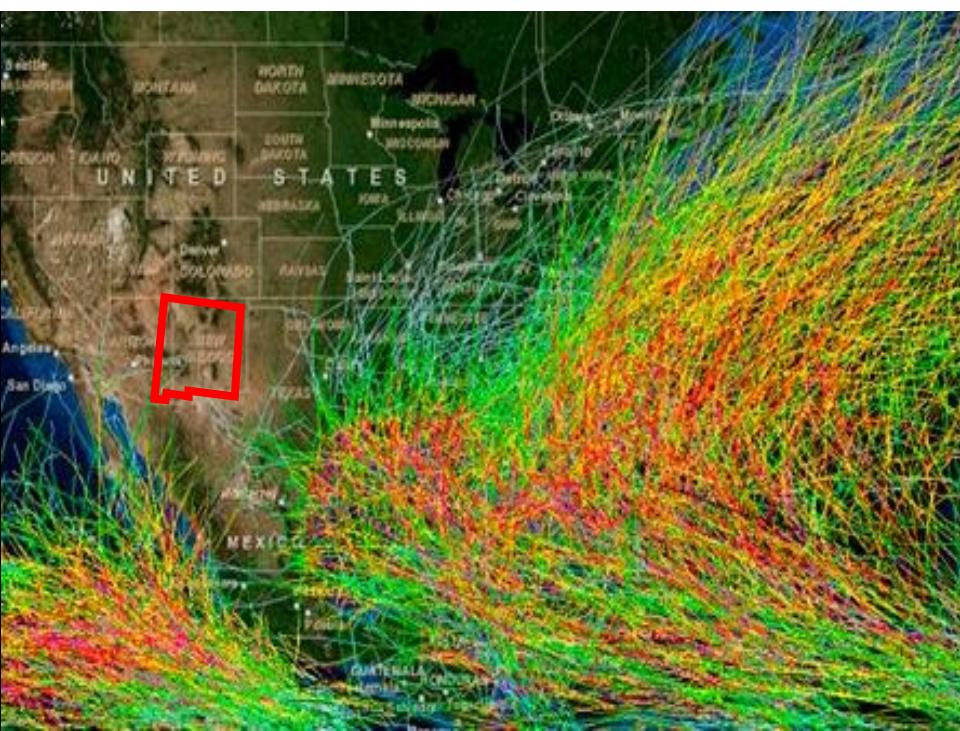


Tornado Activity

Wind Zones



Low Earthquake Risk



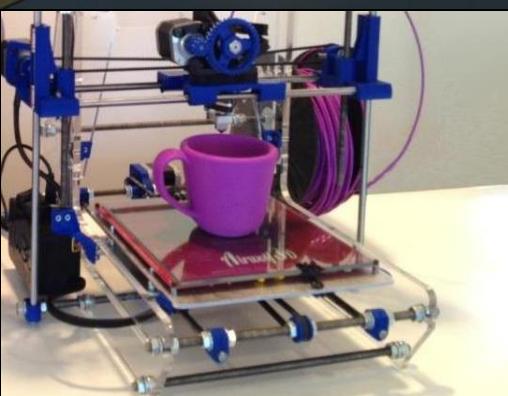
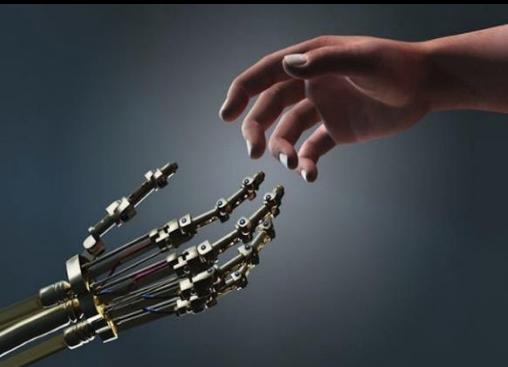
Tropical Storm and Hurricane Activity



**“The future belongs to
those who prepare for it.”**

Ralph Waldo Emerson

Mega Trends...



Robotics & Artificial Intelligence

50% of jobs by 2025

**65% of jobs will require associates+
Big Data & Analytics**

Industrial Revolution 4.0

3-D Printing

Machine Learning

AR & VR (Augmented & Virtual Reality)

5G...Internet of Things (IOT)

Smart sensors

EV-Electric Vehicles

Autonomous Vehicles & Trucks

Smart Cities

Climate Change Adaptation



Industrial Revolution 4.0

Trade Agreements

USMCA ← U.S. → China

Tariffs



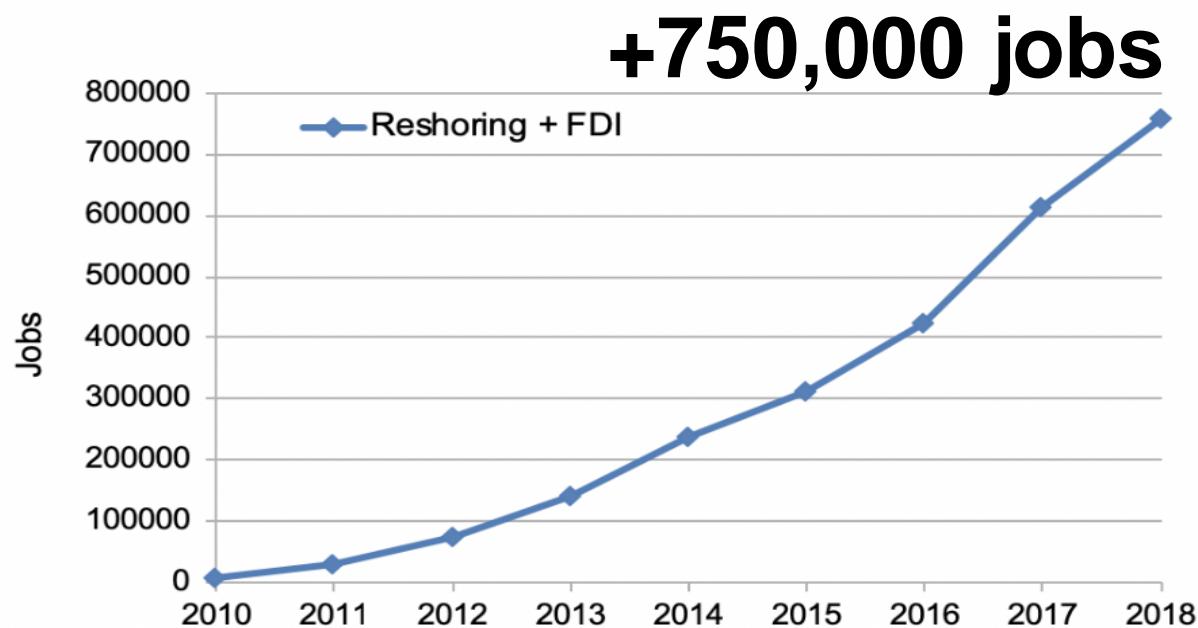
CIT

Tax Cuts & Jobs Act (TCJA)

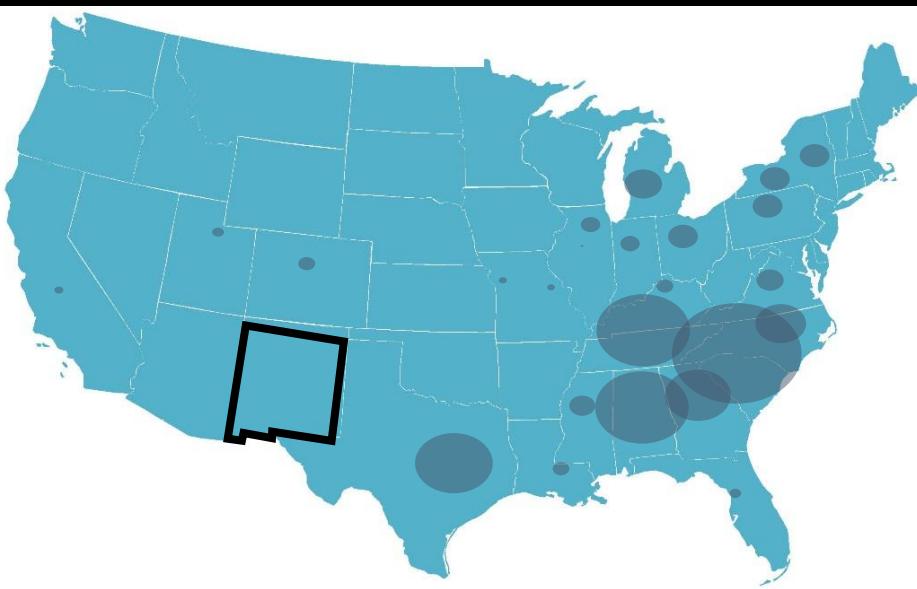
Reshoring Initiative

Bringing Manufacturing Back Home

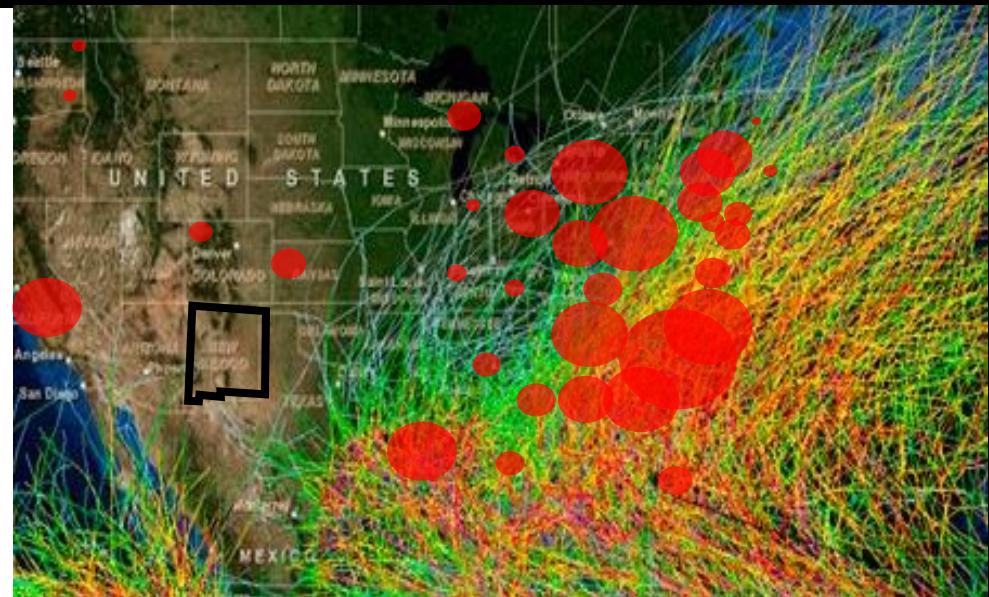
Exhibit 1a | Jobs Announced, Reshoring + FDI, Cumulative 2010-2018



Reshoring Manufacturing Renaissance: Where Are They Locating?



Employment Concentration



Firm Concentration

Source: BLS, Reshoring Initiative, Cushman & Wakefield Research

Disruption

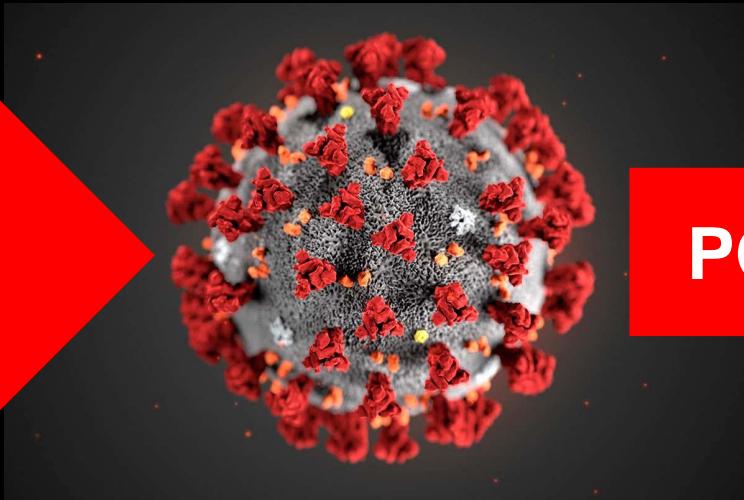
Challenges

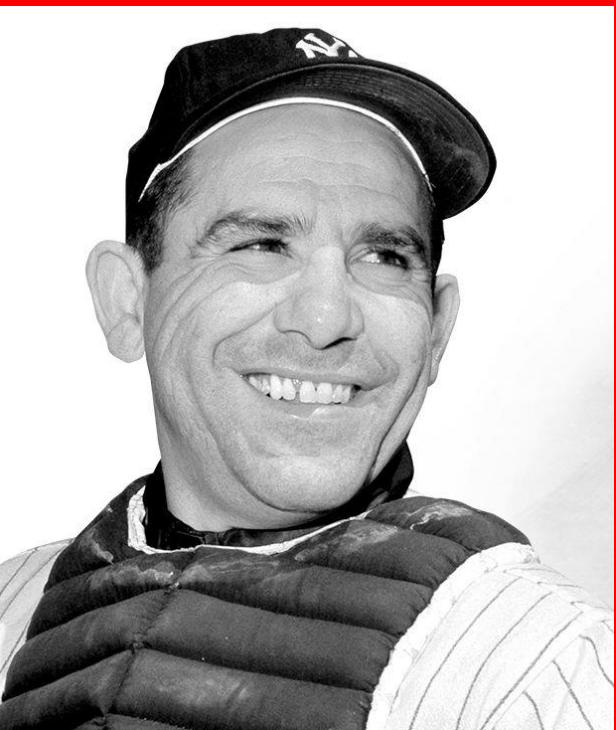
+

Opportunities

PRE

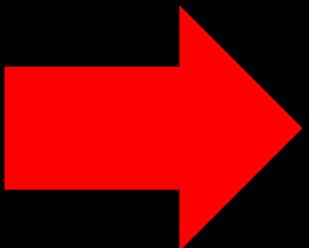
POST



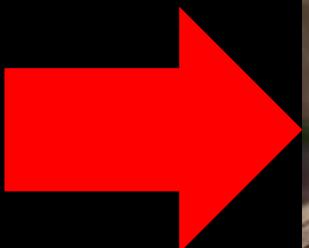


**“The future ain’t
what it used to be.”**

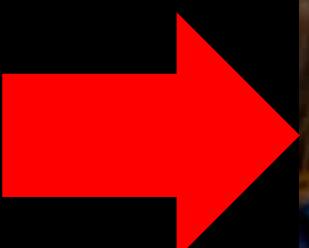
Yogi Berra



**Social
distancing**



E-commerce



**WFH (A)
Remote work**

In the headlines...

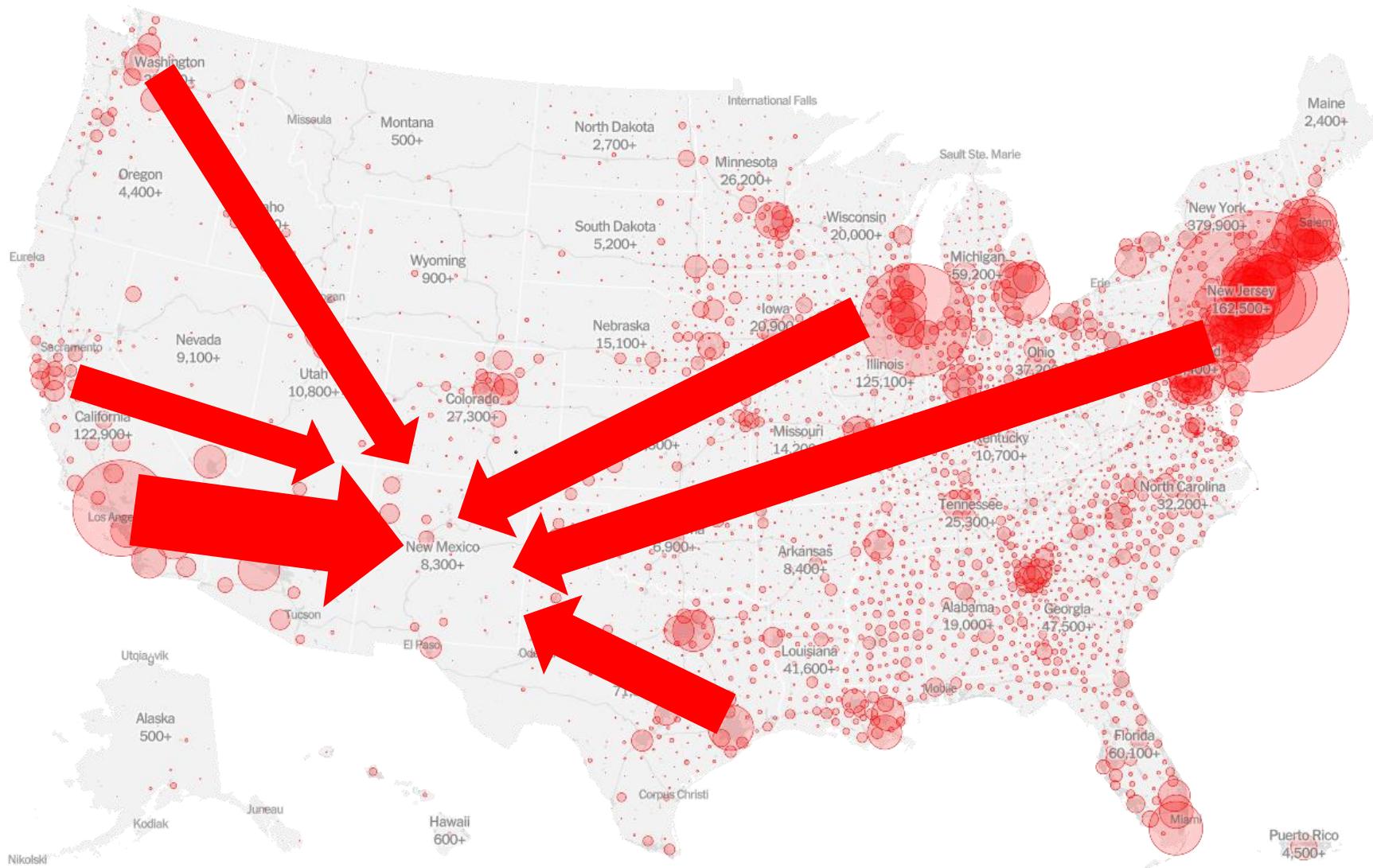
“Get me out of here! Americans flee crowded cities amid Covid-19 ...” USA Today

“Nearly a third of Americans are considering moving to less densely populated areas in the wake of the pandemic...” NY Times

“Appeal of Expensive Coastal Cities Wanes In Pandemic...”

June 30, 2020 Globe Street.com



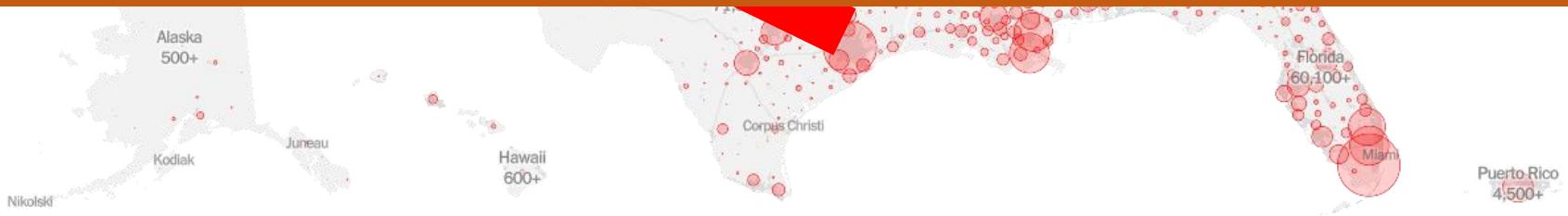


The Coronavirus in the U.S.: Latest Map and Case Count

New York Times



WFH (A)



The Coronavirus in the U.S.: Latest Map and Case Count

New York Times

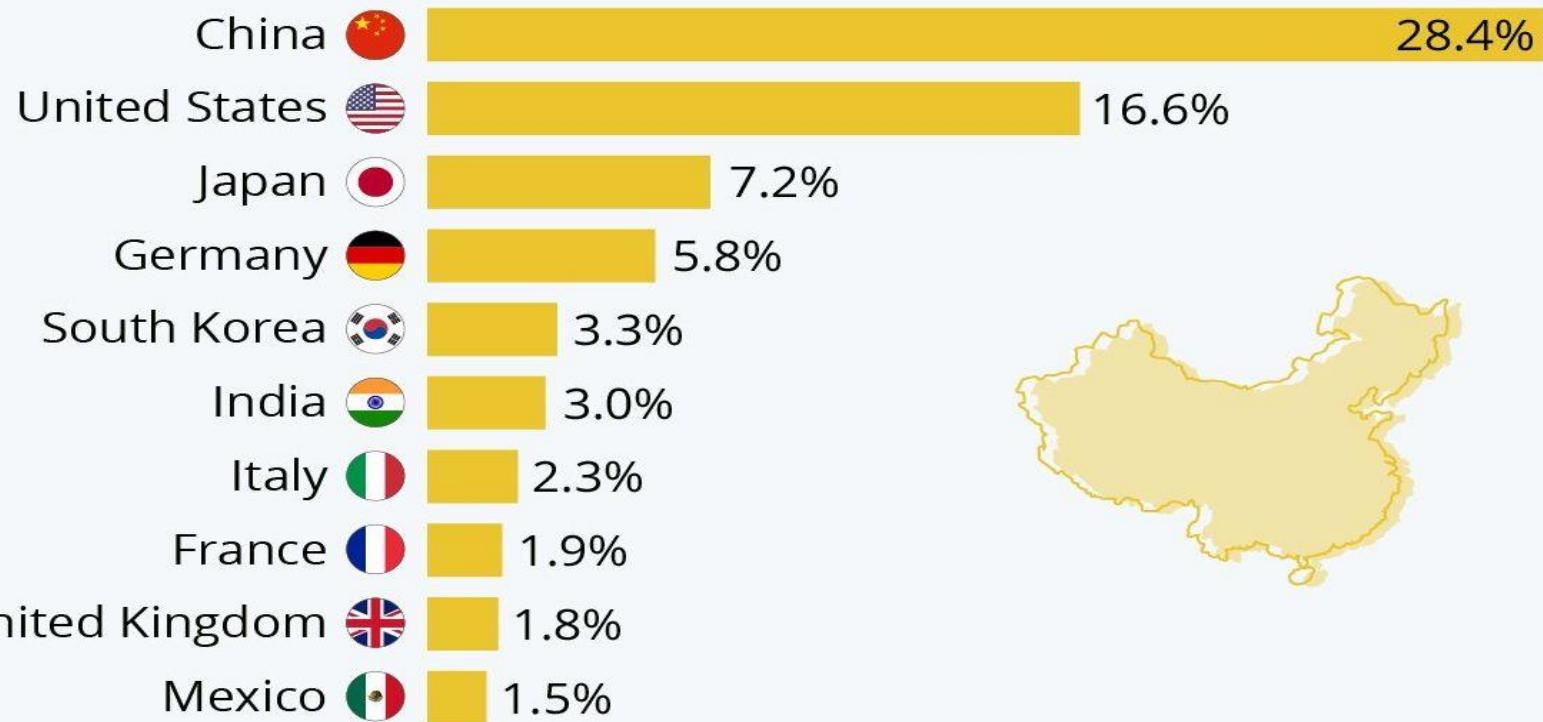


Global Supply Chain Interruption

“The coronavirus has exposed a dangerous risk to the national security and safety to United States citizens...”

China Is the World's Manufacturing Superpower

Top 10 countries by share of global manufacturing output in 2018*



* output measured on a value-added basis in current U.S. dollars
Source: United Nations Statistics Division

In the headlines...

“Overextended and risky supply chains are no longer tolerable....”

“COVID-19 is providing new and forceful momentum for the **re-shoring** of manufacturing investment back to the U.S. from China and elsewhere.”

“The U.S. medical devices and biopharma sector is dangerously concentrated in China must be the first in line to disinvest there and reinvest back in the U.S.”

“The U.S. is over dependent on China to produce our pharmaceutical products. (90% of antibacterial drugs...and others)”

In the headlines...

“US manufacturing companies that sourced production in China to reduce cost, are now **leaving China to reduce risk.**”

“91% of the companies affected by the supply chain disruption in China are U.S. based.”

“COVID-19 will end up being the final curtain on China’s nearly 30 year role as the world’s leading manufacturer”

Site Selector Magazine

Most likely measures to be taken by manufacturers in reaction to the COVID-19 Pandemic”

June 30, 2020 Cushman Wakefield

- **Immediate-to short-term:** Holding more product and component inventories....> Warehousing
- **Medium-term:** Diversifying component sourcing including an emphasis on “nearshoring” components ...closer to plants while holding more inventories.
- **Long-term:** “Reshoring” for some sectors, locating plants & component sources closer to each other as well as supply chain and production line restructuring would make JIT inventory management possible again.

Most likely measures to be taken by manufacturers in reaction to the COVID-19 Pandemic”

June 30, 2020 Cushman Wakefield

Reshoring

- **Long-term:** “Reshoring” for some sectors, locating plants & component sources closer to each other as well as supply chain and production line restructuring would make JIT inventory management possible again.

In the headlines...

Nearshoring

“The pick for the next manufacturing superpower? **Mexico.**”



Seven Reasons to Move International Manufacturing from China to Mexico

- 1. Wage Stability in Mexico vs. China**
- 2. Mexico Offers Favorable Tax Benefits to Manufacturers**
- 3. Operational Simplicity**
- 4. Shipping Transit Time and Costs- 1 to 3 days vs. 30 days**
- 5. Economic Status-Higher per capita incomes**
- 6. Intellectual Property Protection**
- 7. Access to Qualified and Affordable Labor**

U.S. – Mexico Trade by Main POEs

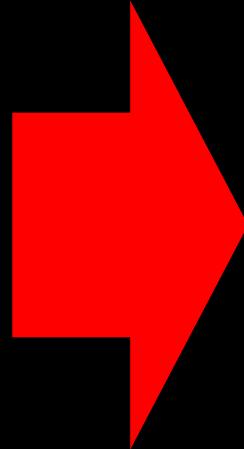
Value in \$ billion



\$81,000,000,000



Nearshoring



Critical Infrastructure

Pharmaceuticals

Medical Equipment/PPE

Aerospace

Microelectronics

Advanced Manufacturing

Critical Manufacturing

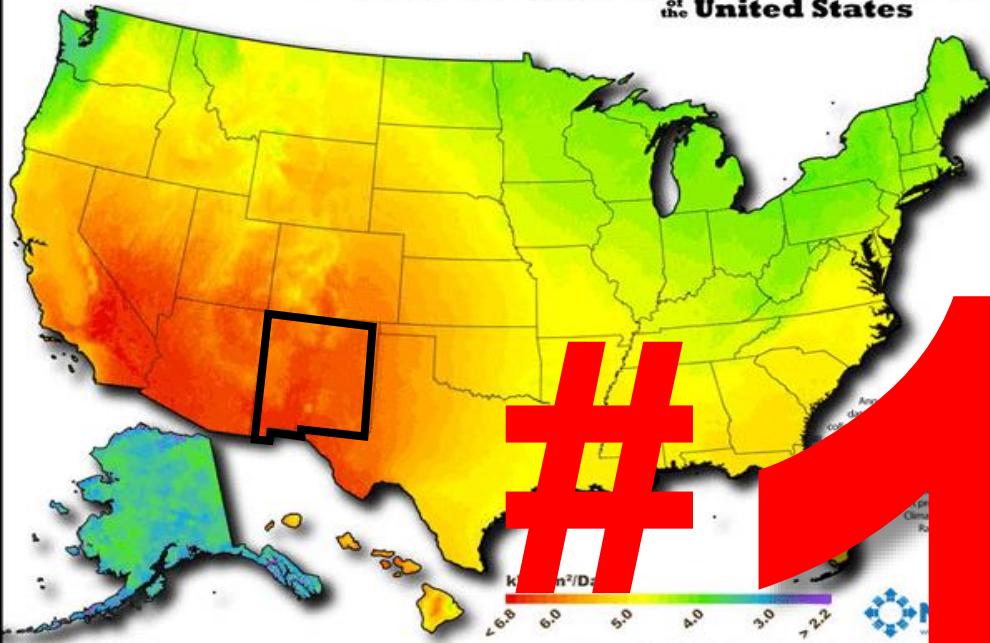
Defense Industrial Base

Reshoring

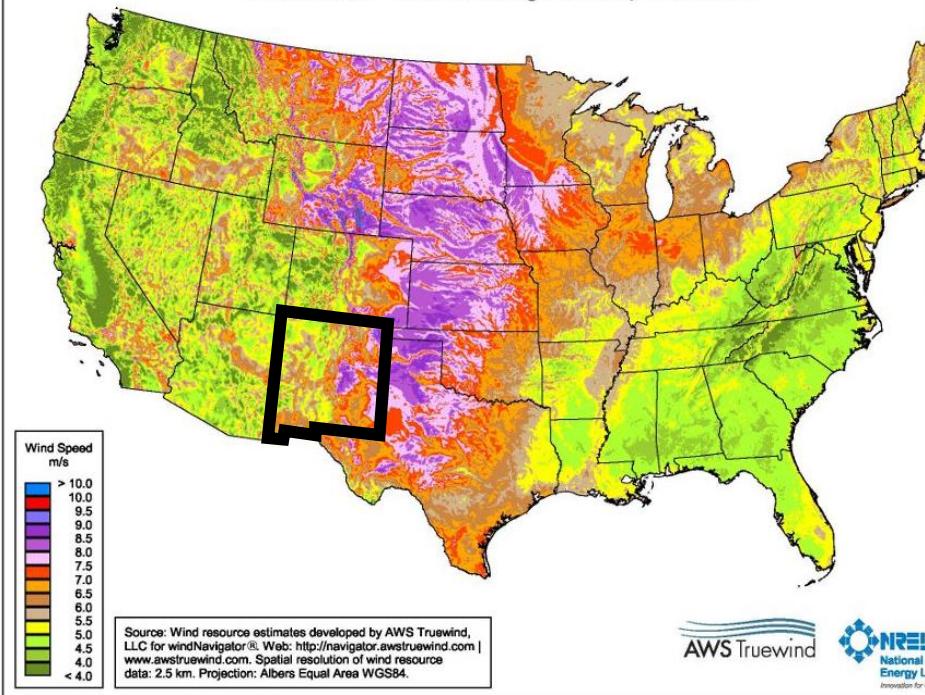


LCORE
“Lowest Cost of Renewable Energy”

Photovoltaic Solar Resource of the United States



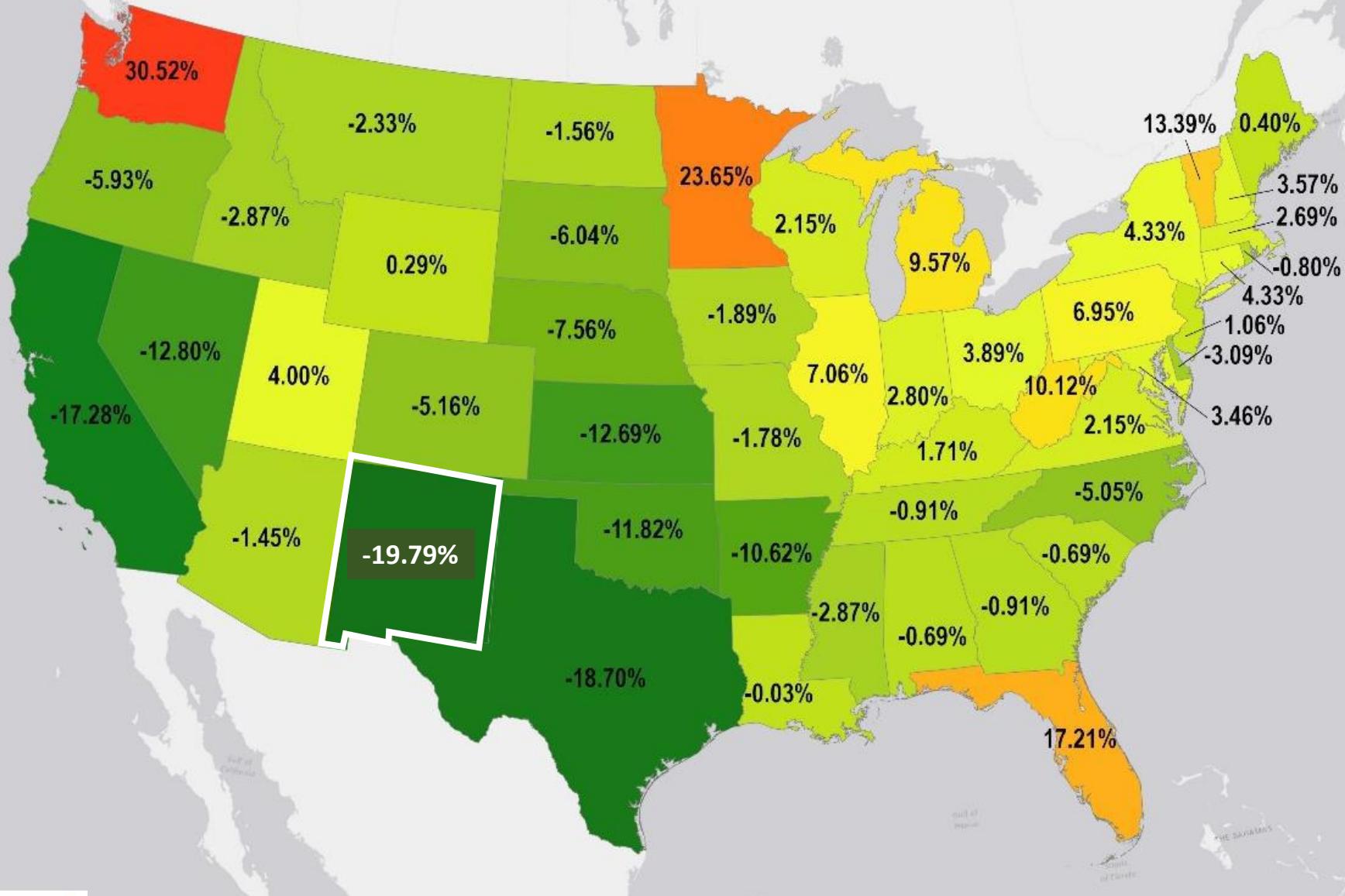
United States - Annual Average Wind Speed at 80 m



AWS Truewind

NREL
National Renewable Energy Laboratory
Innovation for Our Energy Future
28-JUN-2011 4:11





LEVELIZED COST OF RENEWABLE ENERGY IN THE LOWER 48 UNITED STATES:
BLENDDED SOLAR AND WIND



KILOWTON

RE



THE °CLIMATE GROUP



The **RE100** organization in London has signed up **223** global companies who have publicly committed to a goal of **100% renewables**.





Greenshoring



NEXT NORMAL

- Aerospace & Defense:** Space 2.0, AFRL, Spaceport America and more.
- Biosciences:** The industry employs more than 7,000 with 640 industry establishments.
- Cyber Security:** Both of New Mexico's U.S. Department of Energy labs conduct extensive research in cyber security.
- Global Trade:** Nearshoring to Mexico as a result of COVID-19
- Intelligent & Advanced Manufacturing:** Industry 4.0, Robotics, IoT, AI and 5G, SNL-Center Excellence for Advanced Manufacturing
- Sustainable & Green Energy:** A focus on climate change will accelerate ... NM has the lowest cost of renewable energy-LCORE- in the US
- Sustainable & Value-Added Agriculture:** This should also include water technology/innovation and food processing

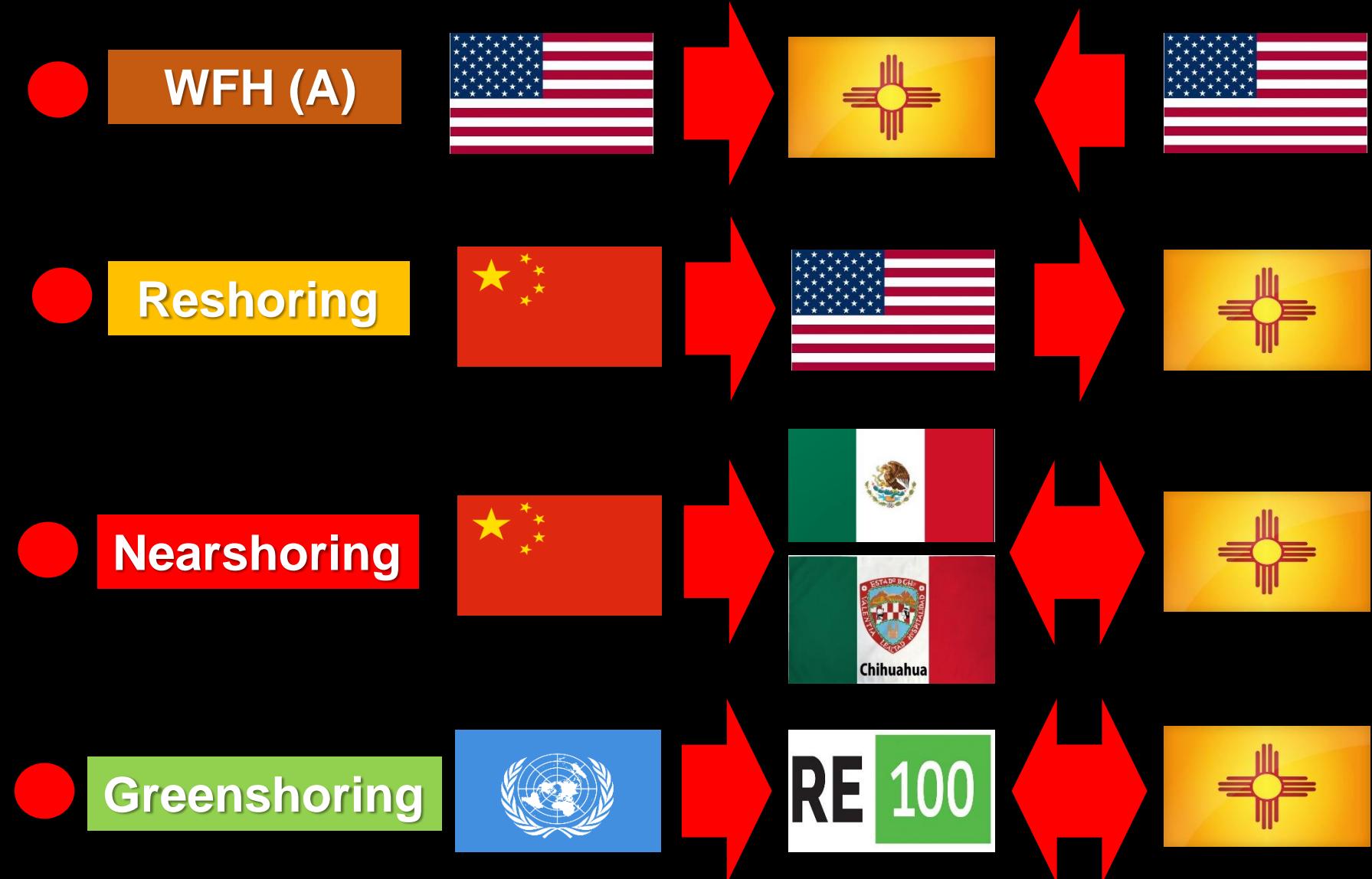
Job Creators: The Multiplier Effect

Retirees and In-migration: for every “couple” moving to NM creates an additional 1-2 **service sector jobs**

Advanced Manufacturing/Reshoring: For every **base economic manufacturing job** created in NM creates **2-3 service sector jobs**.

Construction: For every \$1.0 million of construction 9 Direct jobs are created + an **additional 18-27 jobs in NM**.

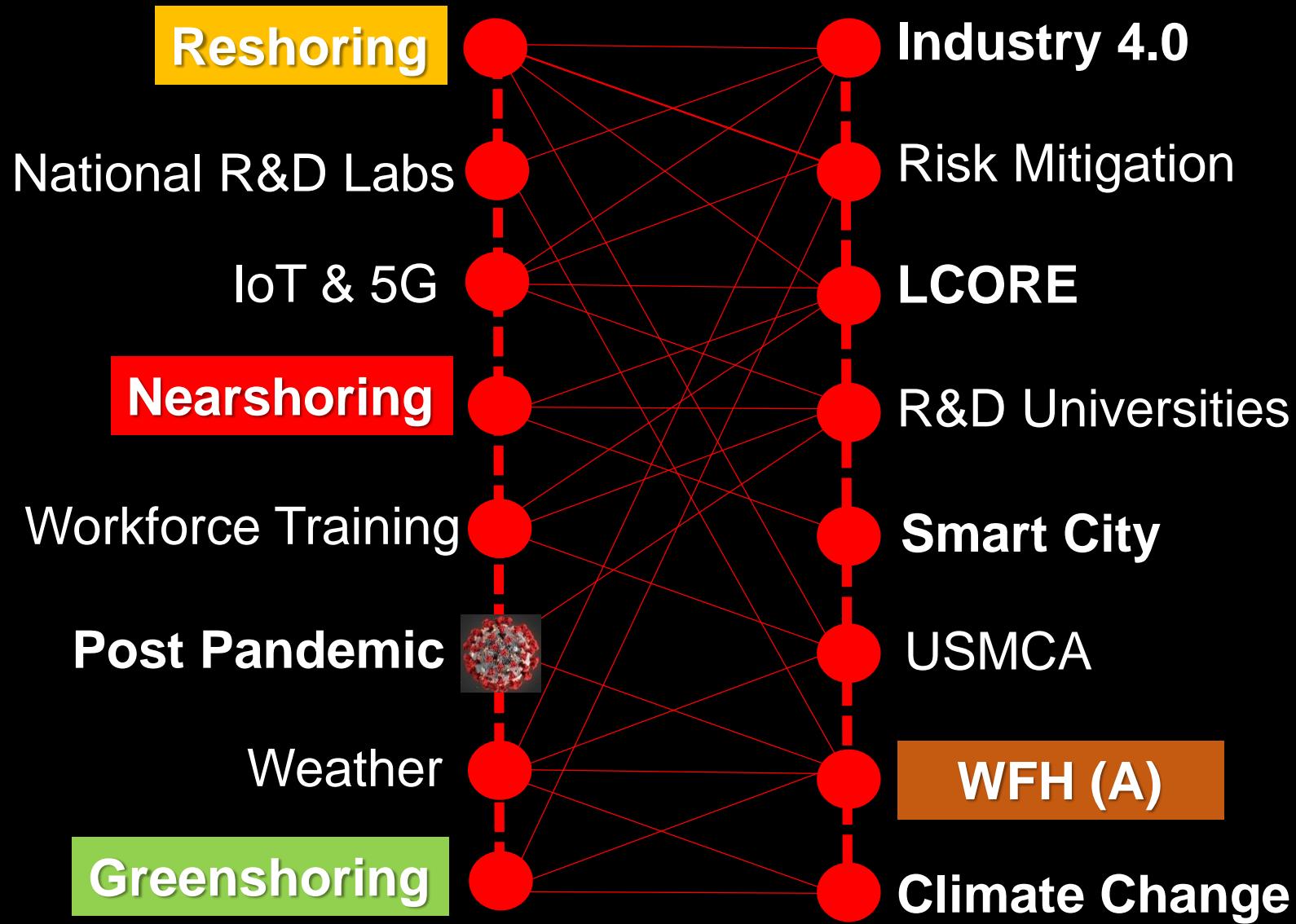
“Shoring” up New Mexico’s Economy in the NEXT NORMAL



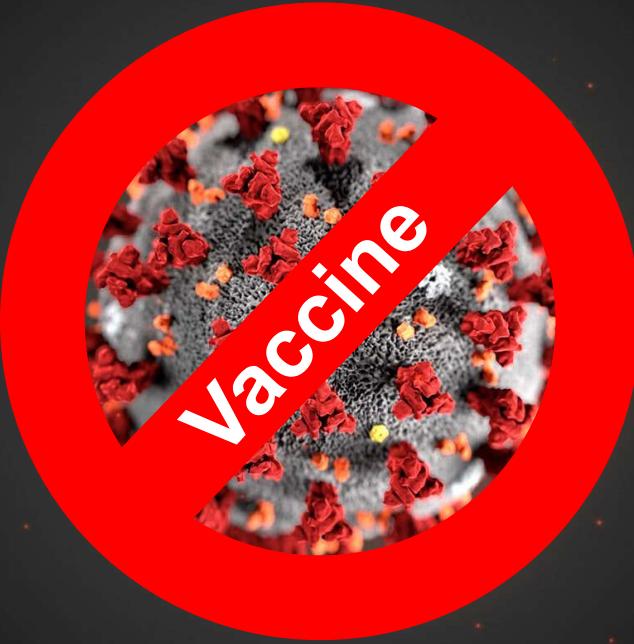
the Dots...

- Climate Change
- IoT & 5G
- Greenshoring
- Nearshoring
- Workforce Training
- Weather
- Post Pandemic 
- National R&D Labs
- RE100
- Industry 4.0
- Risk Mitigation
- LCORE
- R&D Universities
- USMCA
- Smart City
- WFH (A)
- Reshoring

Connecting the Dots...in the NEXT NORMAL



PRE



Vaccine

Next
Normal



“Oil and Covid-19: Will it be New Mexico’s Tipping Point?”

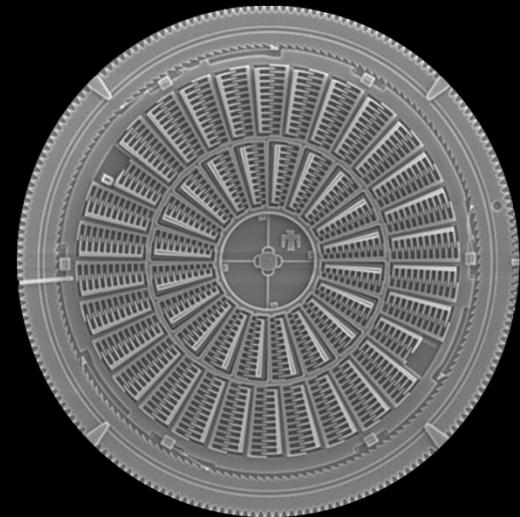
- New Mexico** must develop a strategic business plan for the **21st Century**...
- New Mexico** must diversify its economy... utilizing public/private partnerships...
- New Mexico** needs to focus on creating a more business friendly environment...
- New Mexico** needs to make real strategic infrastructure investments based on a **21st Century** plan...
- New Mexico** must plan for the **NEXT NORMAL**... **speed is of the essence**...



Nature



Culture



Technology



New Mexico's Trifecta



Celebrate
what makes
New Mexico...

NEW MEXICO *true*



Dale R. Dekker, AIA, AICP